DOCUMENT RESUME

ED 246 711 HE 017 217

AUTHOR	Lane, Frederick, Ed.
TITLE	Higher Education in New York.
INSTITUTION	New School for Social Research, New York, N. Y. Center for New York City Affairs.
PUB DATE	Oct 83
NOTE	30p.
AVAILABLE FROM	City Almanac, J. M. Kaplan Center for New York City Affairs, New School for Social Research, 66 Fifth Avenue, New York, NY 10011 ($4.50)
PUB TYPE	Collected Works - Serials (022) -- Viewpoints (120)
JOURNAL CIT	City Almanac; v17 n3 Oct 1983
EDRS PRICE	MF01 Plus Postage. PC Not Available from EDRS.
DESCRIPTORS	Budgets; Educational Finance; *Educational Policy; *Federal State Relationship; Financial Policy; *Financial Support; *Higher Education; *Public Policy; Resource Allocation; *Statewide Planning
IDENTIFIERS	*New York

ABSTRACT

New York State higher education policy and finance are discussed in four articles. In "Higher Education and Public Policy in New York," Frederick S. Lane considers the state's institutions, policymakers and politics, financing of colleges, enrollment patterns, links to economic development, and the changing educational environment. Paul T. Veillette's article, "New York State's Fiscal Condition and Budget and Their Implications for Higher Education," examines the economic and budgetary context in which colleges seek funds in a period of fiscal constraint. Next, "Federal Higher Education Policies in the 1980s and Their Implications for New York State," by Mark A. Emmert and John C. Honey, reviews federal policies toward higher education, including the past emphasis on promoting equity, current trends under the Reagan administration, and future challenges. Specific attention is directed to student financial aid, support for research and development, and the extension of federally mandated social programs into academe. Finally, a summary of the highpoints of New York City's success in balancing its budget is presented in "Response--Managing Uncertainty: The Case of New York City's 1983-84 Budget," by Alair A. Townsend. (SW)

****
* Reproductions supplied by EDRS are the best that can be made *
* from the original document. *
****

CITY ALMANAC

Volume 17 Number 3 October 1983

HIGHER EDUCATION IN NEW YORK

ED246711

Published by the J.M. Kaplan Center for New York City Affairs of the New School for Social Research

HE 017 317

U.S. DEPARTMENT OF EDUCATION
NATIONAL INSTITUTE OF EDUCATION
EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)

☐ This document has been reproduced as received from the person or organization originating it.

☑ Minor changes have been made to improve reproduction quality.

• Points of view or opinions stated in this document do not necessarily represent official NIE position or policy.

"PERMISSION TO REPRODUCE THIS MATERIAL IN MICROFICHE ONLY HAS BEEN GRANTED BY

Arlene Bordan
Center for N.Y.C. Affairs
City Almanac

TO THE EDUCATIONAL RESOURCES INFORMATION CENTER (ERIC)."

City Almanac

Volume 17 Number 3 October 1983

Higher Education in New York

Higher Education and Public Policy in New York 2
Frederick S. Lane
The influences on public policy toward higher education in New York—the institutions, policymakers and politics, financing, enrollment patterns, links to economic development, and the changing educational environment.

New York State's Fiscal Condition and Budget and Their Implications for Higher Education 17
Paul T. Veillette
The economic and budgetary context of higher education's quest for funds in a period of fiscal constraint.

Federal Higher Education Policies in the 1980s and Their Implications for New York State 22
Mark A. Emmert and John C. Honey
A review of federal policies toward higher education—the past emphasis on promoting equity, current trends under the Reagan administration, and future challenges.

Response – Managing Uncertainty: The Case of New York City's 1983-84 Budget 26
Alair A. Townsend
A summary, prompted by the last issue of *City Almanac*, of the highpoints of the city's success in balancing its budget.

Frederick Lane, guest editor for this issue of *City Almanac*, notes that "In 1984, the University of the State of New York will be 200 years old. The challenges to individual colleges and universities, to the higher education establishment, and to public policymakers have rarely been greater." In the years ahead, institutional and governmental budgetary contraints, declining enrollments, and ambiguity regarding federal policy are but a few of the issues that will beset administrators, legislators, and policymakers.

The current spotlight is on the competition between the public and independent (private) sectors for aid from Albany—a competition that is fomenting, in the words of Chancellor Clifton Wharton Jr. of the State University, "a widening rift between the sectors of higher education." The chancellor has called for a fact-finding panel on "how to defuse the conflicts." His proposal echos Paul Veillette's recommendation in this *City Almanac* for a commission that would, among other things, "address the place of independent institutions within the state's higher education framework." Both were anticipated by State Senate Majority Leader Warren Anderson's broader recommendation early in 1980 for a "joint task force . . . to provide the needed bridge between the extremes of generalized planning and particularized fiscal actions."

Special panels on higher education have had mixed results in New York. The 1960 report of the Heald Commission, which proposed expansion of SUNY, increased state aid to the city colleges, aid to independent colleges, and comprehensive planning under the Board of Regents, became a blueprint for higher education for the next two decades. In the 1970s, however, three groups failed to have a marked impact, largely because their deliberations tended to be isolated from key policymakers, especially the legislature. Any new panel would have to include sponsorship by the legislature as well as the regents and the governor. Indeed, this would be an important test for Governor Cuomo with his oft-expressed interest in higher education and well-known mediating skills.

Taken together, the three feature articles in this *City Almanac* address some of the crucial issues that any special commission would have to consider:

- The nature and extent of state and local responsibility for higher education in the 1980s and beyond;
- The structure for governance of higher education and the roles of the various participants in policymaking;
- The appropriate levels and mix of aid to institutions and students and the relations of this aid to federal, local, and private sources of support;
- Impending enrollment declines and shifting attendance patterns between the public and independent sectors; and
- The proper balance between educational quality and equal educational opportunity.

The Editors

Published by the J. M. Kaplan Center for New York City Affairs of the New School for Social Research

Higher Education and Public Policy in New York

Frederick S. Lane

Higher education in New York State is a $6 billion a year enterprise. Nearly one million students are enrolled in 244 degree-granting colleges and universities in the state. These students constitute 10% of the state's population between the ages of 18 and 60. One of five New Yorkers age 25 or older has a college degree. In addition to its sheer size, higher education's importance to the state's social and economic development makes it a critical area of public policy—public policy that directly affects an estimated one-quarter of the electorate (students plus their families) and every community in which a college or university is located.

The reemergence of education as a high national priority has brought about the beginning of an examination of all components of our educational system and the public policies affecting that system. Many in higher education feel that the current national emphasis on elementary and secondary schools will deflect attention from higher education, particularly in the competition for scarce public dollars. This view seems shortsighted. Any improvements in elementary and secondary education will have very positive effects on higher education as well.

The purpose of this article is to survey public policy toward higher education in New York. It examines the state's institutions, key policymakers and changing politics in higher education, financing of colleges and universities, enrollment patterns, the closer linking of higher education and economic development, and the challenges facing higher education and the state in the near future.

Institutions of Higher Education in the State

Nearly 200 years ago, in May 1784, the state legislature incorporated the University of the State of New York, to be governed by a Board of Regents. Thus, the "university" is the oldest continuous state education agency in the country, preceding the federal republic by five years.

The University of the State of New York (USNY) consists of all colleges and universities in the state—public and private—as well as public and nonpublic elementary and secondary schools, museums, and other educational institutions.[1] USNY should not be confused with the State University of New York (SUNY), an operating institution.

As shown in the diagram on pages 14-15, USNY includes 746 postsecondary institutions, 244 of which grant degrees. These degree-granting institutions constitute what is generally thought of as higher education in New York, which consists of the State University of New York (SUNY); the City University of New York (CUNY); the private, nonprofit or independent colleges and universities [organized in the Commission on Independent Colleges and Universities (CICU)]; and those profit-making, proprietary institutions that are approved to grant degrees.

Of the some 988,000 full- and part-time students attending colleges and universities in the state in the fall of 1982, 41% were at independent schools; 38% at SUNY; 18% at CUNY; and about 2.5% at proprietary institutions.

State University of New York

The largest university in the United States, the 64-campus State University consists basically of two types of institutions: 35 state-operated units and 29 locally sponsored and governed community colleges. The state-operated institutions include 4 university centers at Stony Brook, Buffalo, Binghamton, and Albany (with somewhat richer funding formulas and greater emphasis on research and graduate study); 2 free-standing health science centers in Brooklyn and Syracuse (2 other health science complexes are at Stony Brook and Buffalo); 13 state colleges; 6 two-year agricultural and technical colleges ("ag and techs"); and 10 specialized colleges for agriculture, ceramics, forestry, human ecology, optometry, technology, veterinary medicine, labor relations, fashion, and maritime studies.

Although SUNY was formed in 1948, Governor Nelson Rockefeller is largely credited with expanding it beyond a collection of teachers colleges and other units. Regardless of the educational reasons for the expansion, the political rationale was also clear: construction firms, skilled trade unions, retail businesses, and the local governments in every town with a new SUNY unit were all indebted to the governor. Moreover, promoting SUNY created a proactive image and national recognition for a governor who sought higher office.

City University of New York

Many states have two large, *public* systems of higher education. California, for example, has the more selective, graduate and research-oriented University of California system and the relatively open-access California State University and College system. But only in New York State are the two systems divided *geographically*: SUNY largely upstate and CUNY—with its historical local sponsorship and orientation—exclusively in New York City.

What is unique about CUNY is not its municipal origins (there were once many such universities, like the University of Cincinnati) but how long New York City was able to maintain its sponsorship. Experts in higher education and public finance have long understood that no city's tax base is sufficient to support a comprehensive public university. Higher education in the American governmental system is primarily a state responsibility, although localities and the federal government play important roles.

CUNY, the country's third largest university, includes nine senior colleges; seven city-sponsored community colleges; the Graduate School and University Center, which focuses on doctoral studies; and New York City Technical College, an urban equivalent of the ag and tech colleges in the SUNY system.

Effective with the 1982-83 academic year, the state accepted full financial responsibility for the CUNY senior colleges in accordance with the bailout legislation approved in 1979 as part of the load-shedding by the city following its fiscal crisis.

Independent Institutions

The 135 independent institutions of higher education in the state are also publicly subsidized (although much less so than SUNY and CUNY) and regulated by the Board of Regents. There is great variety among them, led by the "Big Six" (Columbia, New York University, Fordham, Cornell, Rochester, and Syracuse).

As in Massachusetts, independent institutions in New York have been especially important in the development of higher education in the state. There are many indicators: the historical importance of the "Big Six" for the nation as well as the state, the number of independent institutions and their large share of total enrollment, the relatively late attention given public higher education by the State of New York, and even the designation of Cornell University, a private institution, as the state's land grant university.

Proprietary Institutions

A fourth sector of higher education is emerging, the degree-granting "proprietary" (*for*-profit) institutions, which currently enroll about 25,000 postsecondary students statewide. Represented by the Association of Private Degree-Granting Institutions, most proprietary institutions focus on business studies. Examples include the Berkeley School, Katherine Gibbs School, School of Visual Arts, and Technical Career Institutes.

Political Give-and-Take in Higher Education

Much of the development of higher education in New York can be explained by competition among the three principal sectors. Here are some examples:

- The private institutions in New York City agreed to the founding in 1847 of the Free Academy (which was to become City College and eventually the City University) so long as it focused on occupational subjects and did not include advanced studies in areas like law and medicine.[2]
- In 1948, when the legislature and Governor Thomas Dewey agreed to establish the State University of New York, they also agreed for the first time to provide some financial support for New York City's municipal colleges.
- The private colleges accepted the creation of the State University of New York, but with an agreement that there would be minimal expansion for ten years. Subsequently, when SUNY did begin to expand, the independent institutions reaped certain tradeoffs—first, student aid in the form of a Scholar Incentive Program enacted in 1961 and, then, direct institutional aid approved in 1968 ("Bundy aid").
- During the periodic calls by Governor Rockefeller for the merging of SUNY and CUNY into one giant state university system, the independent institutions, along with CUNY and New York City, opposed the proposal. The independents did not want to contend with a single, politically powerful competitor in state policy deliberations. Neither did other policy participants, like the State Division of the Budget.

The competition among the sectors continues into 1983, often revolving around enrollment and tuition. One recent example relates to SUNY's proposal in late 1982 to expand one of its ag and tech colleges into a four-year institution. The presidents of 39 independent colleges quickly responded with a statement by President M. Richard Rose of Rochester Institute of Technology. Its theme was that spending such public money would be wasteful, especially since the proposed program would duplicate programs at other institutions in the state.

Policymaking for Higher Education

Policymaking for higher education in New York State has four key participants: the governor, the state legislature, the Board of Regents, and the institutions themselves (see diagram, page 4).

- The governor is the state's most important higher education policymaker because (1) he is the state's chief budgetary officer; (2) he approves statewide higher education

City Almanac

Volume 17 Number 3 October 1983

Co-editors
Marilyn Rubin
Arley Bondarin
Consultant
Blanche Bernstein

ADVISORY BOARD
Chairman
S. William Green
Members
Freda Stern Ackerman
Seymour Durst
Jac Friedgut
Karen Gerard
Joel Harnett
Marilyn Levy
Robert Lester Loeb
Burton Resnick
Daniel Rose
Jean J. Rousseau
Herbert Singer
Julien J. Studley
John Thompson

NEW SCHOOL FOR SOCIAL RESEARCH
President
Jonathan F. Fanton
Chairman, Board of Trustees
Dorothy H. Hirshon

J. M. KAPLAN CENTER FOR NEW YORK CITY AFFAIRS
Dean
Henry Cohen
Associate Dean
Jerome Liblit
Chairman, Board of Overseers
John Trubin

City Almanac (ISSN 0009-7683) is published bimonthly by the J. M. Kaplan Center for New York City Affairs, Graduate School of Management and Urban Professions, New School for Social Research, 66 Fifth Avenue, New York, NY 10011. Telephone: (212) 741-5956.
All rights reserved. No part of this publication may be reproduced without prior written permission of the Center for New York City Affairs.
Second-class postage paid at New York, NY.
Subscription rates are: one year, $24.00; two years, $42.00; three years, $58.00.
Single copy and quantity order rates are available upon request.

master plans and their amendments; (3) he appoints 15 of the 16 SUNY trustees (for ten-year terms), 10 of the 17 CUNY trustees (seven-year terms), 9 of the 10 members of the local advisory council at each state-operated SUNY unit (nine-year terms), and 4 of the 10 trustees at each SUNY community college (nine-year terms). Perhaps above all, the governor, as the state's elected leader, sets the tone for all of higher education in New York.

The governor's power stems, in part, from his authority over the State Division of the Budget (DOB), which recommends and implements state budgets for higher education. DOB approves both the number of personnel (positions) and the dollar allocations for individual public campuses.

- The role of the state legislature in policymaking for higher education reaches well beyond its authority to select the members of the Board of Regents.[3] The legislature's budgetary influence, like the governor's, is its most important device in affecting the course of higher education.
- The Board of Regents with its staff, the State Education Department, is the principal state agency responsible for higher education. The regents appoint the Commissioner of Education. The principal administrator for higher education is the Deputy Commissioner for Higher and Professional Education.

New York is one of only four states in the nation where the same board coordinates higher as well as elementary and secondary education. With their independent status guaranteed in the state constitution, the regents operate with great autonomy, almost as a fourth branch of government.

Elementary and secondary education issues tend to dominate the regents' selection and agenda because they affect more students and are more politically charged. As a result, many in higher education do not trust the regents to formulate solutions to the pressing problems facing colleges and universities in the state.

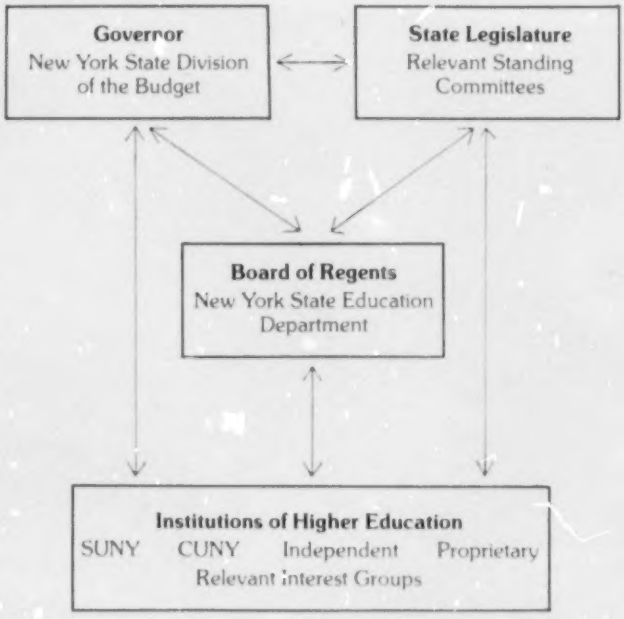
As the Board of Regents' administrative arm, the State Education Department engages in statewide planning, information gathering, policy guidance, and program approval and evaluation for higher education. Statewide planning occurs in four-year cycles; the next plan is scheduled for 1984. Many observers feel that the board has failed to fully exercise its oversight authority, particularly regarding statewide planning and program duplication.

The Board of Regents has no formal authority to consolidate and recommend annual operating budgets for public colleges and universities, as do such boards in some other states. No other key policymakers, except for a few individual regents and education department staff, currently advocate trying to expand the board's budgetary authority.

The formation of higher education policies in New York significantly involves "outsiders" more than in most other states. A recent Carnegie Foundation national survey documents that public higher education decision making in New York (and in Pennsylvania, Connecticut, and Florida) significantly involves government agencies beyond the institutional trustee level.[4]

- The fourth major participant is the college or university, both individually and in concert with similar institutions. Institutions and their sectors have become increasingly aggressive in state politics, especially in the budgetary process. In addition, interest groups associated with these institutions—students, faculty, parents, labor unions (especially on the unionized SUNY and CUNY campuses), alumni, industries, local communities—are now highly mobilized in this process.

KEY PARTICIPANTS IN STATE-LEVEL POLICYMAKING FOR HIGHER EDUCATION



The policymaking process is somewhat different for the upstate community colleges. In their governance and financing, the role of the sponsoring jurisdiction is central, like the involvement of a county board of legislators and county executive. At the state level, upstate community colleges and their localities can, and sometimes do, go their own way with their own power bases separate from the rest of SUNY.

The Changing Politics of Higher Education

Claimants from higher education recognize that state policymakers respond today to requests, especially for funds, far differently than they did in the 1960s when there seemed to be few limits. Changes in the nature of higher education politics have produced a new pattern of response. This is important to understand if we are to appreciate the evolving set of public policies shaping higher education in the state.

To compare the state politics of higher education in the 1980s with that of the 1960s, one can apply the four political norms, or decision-making "rules of thumb," delineated by Heinz Eulau and Harold Quinley in their 1968 study for the Carnegie Commission on Higher Education.[5] Eulau and Quinley interviewed 102 political leaders, mostly legislators, in nine states, including New York, and found four principal political norms that seemed to have governed the politics of higher education in the post-World War II period and especially in the 1960s. These norms were: (1) little need for leaders to respond to higher education concerns; (2) passive

legislative oversight; (3) deference to academic authorities; and (4) an emphasis on outperforming other states.

• *Responsiveness* refers to state officials' reactions to perceived citizen attitudes. Eulau and Quinley found that public opinion regarding higher education issues usually had relatively little political impact. Eulau and Quinley attributed this largely to the fact that legislators and other public officials received little communication from the world of higher education, and, when received, such communication was sporadic, unorganized, and usually dealt with specific issues rather than broad concerns.

State politicians also perceived a general lack of public interest in higher education. They felt citizens were chiefly concerned about creating sufficient capacity so that their children could go to college. When educational issues were articulated, political leaders felt that elementary and secondary schools far outweighed higher education in importance to the general public. Other pressures on state officials, such as insufficient time and staff, as well as a low degree of personal interest, also promoted their lack of responsiveness to higher education issues.

• *Legislative oversight* of administrative agencies is part of the American political tradition. However, most legislators in the 1968 study felt that their oversight of public higher education should be limited to budgets and to broad policy guidelines. This posture was based on the tradition of academic freedom and of keeping government politics out of higher education. Eulau and Quinley found, however, as have others, that when institutions were perceived to act "irresponsibly," state officials felt "forced to act," for example, against university administrators who were reluctant to control student unrest. However, politicians generally preferred inactivity.

• *Deference to academic authorities* was also an important political norm. Higher education issues are often complex and require detailed knowledge. Lack of information and expertise induced legislators to depend on those who at least appeared to be knowledgeable—college presidents, education commissioners, and members of higher education boards.

• Finally, insofar as they involved themselves in higher education policymaking, political leaders in the 1960s expressed a *preference for outperforming other states*. Much of the country focused on the pacesetters, California and New York, and these two tended to watch each other.

Since 1975, I have observed, primarily in New York, four somewhat different political norms held by state officials regarding higher education: (1) generally, a continuing lack of responsiveness but, when responsive, with a different focus than in the 1960s; (2) activism in higher educational policy formulation and oversight; (3) skepticism toward academic authorities; and (4) preference for priority setting among state programs, regardless of activities in other states.

• The norm of little need for responsiveness generally continues to prevail. Higher education issues still have little political impact. Communication from those in higher education is only occasionally perceived as either broadly representative or politically intense. The most important single political issue in the 1960s—providing sufficient room for those seeking to enter college—has, if anything, been reversed. The projection of declining enrollments, at least for the next 15 years, is likely to result in excess capacity at many institutions in New York State.

One policy issue to which state political leaders do respond is paying the costs of college attendance, especially the increasing difficulties perceived by politically important middle-class families. However, the ability of politicians to respond to this concern is likely to be severely limited by today's budgetary constraints.

Citizen attitudes toward higher education may well have a long-term negative effect on colleges and universities if states are confronted with the need to cut their budgets. In 1980, a national sample was asked: "Supposing the budgets of your state and local governments have to be curtailed, which one of these parts of the budget would you limit most severely?" As indicated in the distribution of responses below, only parks and recreation had a lower priority than higher education.[6]

Public safety (fire, police, criminal justice)	3%
Public schools (elementary and secondary)	3%
Aid to the needy	7%
Streets and highways	10%
Don't know	10%
Tax-supported colleges and universities	**24%**
Parks and recreation	45%

Different states, of course, may value higher education differently.

• State officials have largely rejected passivity regarding higher education in favor of activism in policy formulation and oversight. With the expanding public sector in higher education in New York comes the requirement for greatly increased appropriations. The emergence of mass higher education, in both numbers of students and public expenditures, plus student activism beginning in the mid-1960s, increased the costs and visibility of higher education. This trend has brought a sustained pressure from political leaders for a larger policy role for themselves and greater public accountability by higher educational institutions.

• Respect for and confidence in the academic profession from parents, students, and other citizens, as well as from state officials, have lessened significantly in the last ten years. The apparent decline in the earnings potential of a college degree as well as the unemployment and underemployment of recent college graduates are only two of the contributing factors. Skepticism toward professional authority in American life generally has also undermined relations between the academy and state government.

• Experiencing serious fiscal stringencies, state officials have also shown a preference for comparing the benefits and costs of higher education with other programs competing for limited tax dollars. The preference for comparing New York's expenditures for higher education with those of other states has largely disappeared, which suggests that higher education has apparently lost some of the status it once had among the state's political leaders.

The experience of institutions of higher education with public funding during the last eight years indicates a pattern of increased politicization. In a time of contracting fiscal resources, decision-making authority has shifted from academic leaders to political decision makers. As a result, educational programs have been increasingly subjected to the

demands of the political process.

One new development emerges from these shifts in political attitudes and processes: The state budget has become the most important policy instrument affecting higher education. As institutions push for more money, even a supportive governor is trapped in his role of economizer, and the legislature becomes a more important influence because of its power of the purse.

Localism—the concern of legislators for the interests of their constituents, especially the most organized and powerful—has always been critical in understanding state politics, although this is sometimes mitigated in New York by party leadership and cohesiveness in the legislature. Because localism is so important, however, the legislature seems particularly sensitive to some of the issues associated with contraction in higher education, especially staff reductions, campus closings, and program curtailments. The legislature has become "the court of last resort," the restorer of funds for higher education.

Traditionally in this state, different political actors have tended to represent the interests of the different sectors: Governor Rockefeller, SUNY; the upstate Republican-controlled state senate, the independent institutions; and the downstate Democrat-controlled assembly, CUNY. The shifts in the patterns of policymaking for higher education in New York are also affected by changing participants. For example, like his predecessor Governor Carey, a Democrat from New York City who encountered serious fiscal problems, Governor Cuomo has yet to indicate any particular interest in carrying SUNY's torch.

These shifts in political norms from those of the 1960s indicate some of the new directions in which state governance of higher education has moved. A new environment has resulted in altered political patterns in this policy arena—with different policy results.

Financing Higher Education

For 1983-84, the State of New York has allocated more than $2 billion for higher education—over 11% of the state budget. New York City and many other localities will add their own funds, primarily to help pay the costs of community colleges.

Ranking New York's Financial Commitment

I am often asked how New York compares with other states in financing higher education. Most New Yorkers believe the state is at the top along with California; however, different policy analysts tend to use different financial indicators. This section attempts to assess systematically New York's level of commitment in funding higher education.

In total state appropriations for the operating expenses of higher education, New York has indeed traditionally ranked second, but in 1982-83 Texas edged past New York. The total amount of appropriations, however, is only one indicator. Appropriations per capita and appropriations per $1,000 of personal income are two other standard measures. On these, New York hardly does as well. For 1982-83, New York appropriated $114.19 for each resident, ranking it 24th among the 50 states and only slightly higher than the national average of $106.04. Regarding appropriations per $1,000 of personal income, New York's $9.96 ranked the state 31st and was less than the national average of $10.12.

Another question often asked is: What has the state done lately? Over the two years from 1980-81 to 1982-83, state appropriations for higher education increased 22%, ranking New York 15th in the nation for the percentage increase. But during this period, the state was also picking up an increasing share of CUNY's costs. For the *ten* years leading up to 1982-83, appropriations increased 144%, ranking New York 38th for the percentage increase.

Comparative rankings are further complicated by changes in inflation and enrollment. If we adjust the increase in state appropriations for price changes for the ten-year period, 1972-73 to 1982-83, the real dollar increase is 5%—in a period when total headcount enrollment in higher education in New York increased 17%, but enrollment at public institutions increased only 7%.[7]

To get a full picture of the state's effort to finance higher education, several other factors must be considered. First, New York ranks 42nd among the 50 states in enrollment in public colleges per 1,000 population. In general, the greater the proportion of the total population in public colleges, the greater the cost to the state. New York's relatively low ranking on this indicator reflects the large size of the independent sector in New York and the fact that the state exports more college students than it imports.

Many people think of New York as a rich state. Its per capita income is 8% higher than the average for all states, but income is not a perfect measure of the *tax capacity* of a state. New York's per capita tax capacity for 1980 has been estimated by the Advisory Commission on Intergovernmental Relations to be about 6% less than the 50-state average, but its *tax effort* is 67% *higher* than the average. As a result, New York's per capita tax revenue dollars are about 50% higher than the average for all states.

If we examine why there may be pressure against tax increases in New York, two factors must be considered. First, New York ranks behind only Alaska in amount of state and local taxes per capita *and* per $1,000 of personal income.[8] Second, from 1970 to 1980, the increase in per capita personal income in New York was 118.67%, ranking the state next to last, with only Hawaii having a slower rate of growth.[9] (The national average was 141.34%.)

The amount of revenue actually raised per capita along with New York's large independent sector account for the state ranking 45th in the proportion of *total state and local* revenue spent on higher education, about 7.8% compared with the national average of 10.8%.

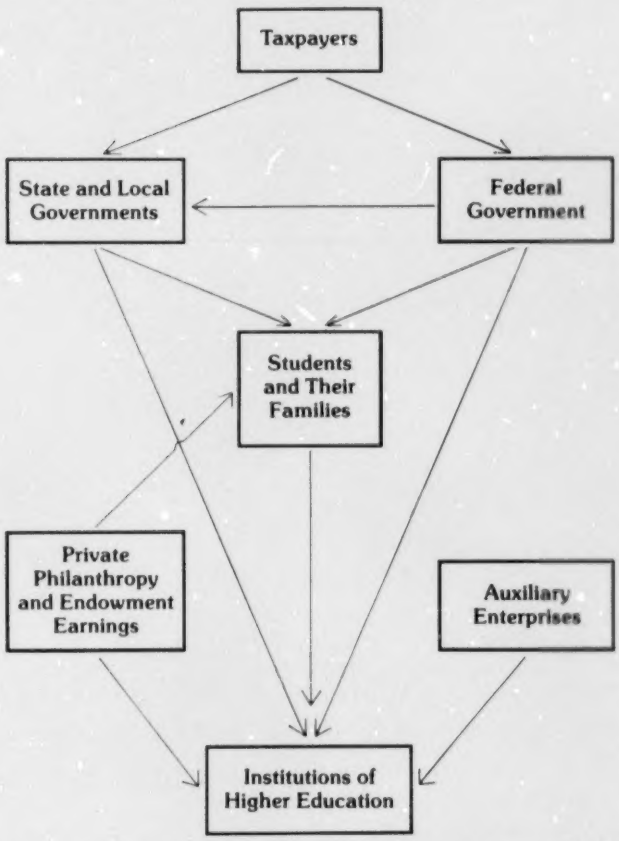
If these data make New York seem rather miserly with respect to higher education, they still do not represent the entire picture. A final indicator is total state and local appropriations per full-time equivalent (FTE) student in public institutions—where most of the money goes. On this measure, New York appropriated $4,578 in 1982-83, placing the state eighth in the nation. (The U.S. average was $3,655.) If this state and local expenditure per FTE public student is adjusted for the relative cost of the system—the fact that, unlike the country as a whole, the proportion of students at public institutions in New York tends to be somewhat less at more expensive research universities and somewhat more at normally less expensive comprehensive

colleges and two-year institutions—New York rises to fifth among the states with a per student expenditure 32% higher than the national average.[10]

In addition, some consideration must be given to public aid to independent institutions. Forty-seven states now authorize some form of assistance to independent colleges and universities, either directly or by supporting students attending those institutions. New York provides more money to independent institutions than any other state and ranks fourth, behind Alaska, Pennsylvania, and Illinois, in the amount of this aid per FTE student.

Policymakers may no longer stress comparisons with what other states are doing in higher education. Nevertheless, such comparisons do assist us in assessing the state's financial commitment to its colleges and universities. New York is a populous state, with a lower tax capacity and higher tax effort than the national average. It has large public and private sectors of higher education. While some indicators suggest that New York's commitment has been lagging lately, expenditures per student in both the public and private sectors still rank New York, at least through 1982-83, in the top half-dozen states in its commitment of public funds to higher education.

SOURCES OF FUNDS FOR HIGHER EDUCATION



Source: Adapted from National Commission on the Financing of Postsecondary Education Staff Report, *A Framework for Analyzing Postsecondary Education Financing Policies*, (Washington: U.S. Government Printing Office, May 1974), p. 19.

Institutional Finances

Government finances higher education in two ways: by direct aid to institutions and by aid to students that largely "passes through" these students to the institutions (see diagram). As would be expected, proprietary institutions rely almost wholly on tuition and fees, while independent institutions rely far more on tuition and fees, endowment income, private gifts and contracts, and federal grants and contracts than do SUNY and CUNY (Table 1). SUNY receives a greater percentage of its revenues from the state than does CUNY, and CUNY receives a higher proportion of its revenues from New York City than does SUNY from its localities.

Comparing tuition income at SUNY and CUNY turns out to be quite complicated. Since CUNY ended over a century of free tuition in September 1976, it is obviously far more dependent on tuition than before. SUNY's tuition, however, is largely not used for its annual operating budgets. It is pledged to SUNY's capital construction program, and only in the year following tuition collections does any money "left over" after obligations are paid enter SUNY's operating budget. Tuition and fees in all four sectors are subsidized in part by student financial assistance from the state, the federal government, and private sources.

Budgeting at SUNY and CUNY is based on an approach

TABLE 1: REVENUE SOURCES FOR INSTITUTIONS OF HIGHER EDUCATION IN NEW YORK STATE, 1979-80

Source	SUNY	CUNY	Independent	Proprietary
Tuition and fees	14.6%	24.9%	39.7%	89.5%
Appropriations—total	59.6%	63.1%	3.1%	0.0%
Federal	0.5	0.5	0.5	—
State	54.1	43.3	2.6	—
Local	5.0	19.3	0.0	—
Grants and contracts—total	9.0%	9.1%	20.4%	0.0%
Federal	7.1	7.2	16.1	—
State	1.5	1.5	0.7	—
Local	0.4	0.4	3.6	—
Private gifts and contracts	2.6	1.9	8.3	0.0
Endowment income	0.2	0.2	5.9	0.0
Educational activities	0.6	0.4	1.2	0.3
Auxiliary enterprises	5.8	0.2	9.4	4.0
Hospitals	4.2	0.0	7.3	0.0
Other sources	3.3	0.4	3.4	6.1
Independent operations	0.0%	0.0%	1.3%	0.1%
Total amount (in millions)	$1,755.5	$587.2	$3,085.5	$34.7

Source: Office of Postsecondary Research, Information Systems and Institutional Aid, New York State Education Department, 1982.

Note: Figures for SUNY and CUNY do not add to 100% because of rounding.

originally developed for SUNY by the State Division of the Budget. Base funding levels for instruction are determined by the mix of academic fields and levels of instruction (lower division, upper division, graduate, and doctoral) on each campus. Yet, a great deal of discretion is applied along the way, both by budget division staff and eventually by other state policymakers.

One of the difficulties in applying the model to the City University is that the two public systems are difficult to compare. For example, SUNY's four university centers receive richer funding because of their doctoral and research emphases. CUNY's relatively small Graduate Center is still not funded as fully as SUNY's university centers. Moreover, CUNY's senior colleges defy SUNY's simple distinction between university centers and state colleges. In actuality, each CUNY senior college is part university center and part college (in SUNY's terms).

The second reason funding equity between SUNY and CUNY is so difficult to effect is that SUNY's institutions are largely residential, that is, students reside on or near campus, while CUNY's colleges serve almost entirely nonresidential, commuter students. Historically, the state has subsidized some of the costs of housing students at SUNY units, but it has not provided sufficient equivalents—like study labs and student lounges—at CUNY.[11]

The battle over the governor's proposed 1983-84 budget may be a signal of things to come. The executive budget called for an 8% decrease in positions at SUNY and a 9% decrease at CUNY. This would have resulted in the loss of some 2,000 positions at SUNY and 800 positions at CUNY's four-year colleges. The legislature eventually restored $10 million to SUNY and $9.4 million to CUNY, thereby averting the necessity of layoffs.

In the struggle for state funds among the higher education sectors, there are those, both inside and outside of SUNY, who feel that recent support for SUNY has been eroding.[12] Yet, other policymakers feel that SUNY has expanded well beyond foreseeable demand and available resources, and they are prepared to talk about closing several campuses.

While the state is responsible for funding four-year institutions and the ag and tech colleges, localities sponsor community colleges. Unlike those in other states, however, the community colleges in New York are integrated into the two public systems, rather tightly in CUNY and more loosely in SUNY. The looser coupling within SUNY is largely because each sponsoring locality has considerable control over its community college's budget. Using a complicated and shifting formula, the state pays for only about one-third of SUNY and CUNY community college expenditures; nationally, states pay about 54%.

Most higher education funding goes for compensation, especially salaries. Faculty salaries at public institutions are set as a result of a complicated pattern of collective bargaining. Although part of the city's municipal labor coalition, CUNY's faculty union, the Professional Staff Congress (PSC), bargains with CUNY, not the city. Even though the CUNY senior colleges are completely state-funded, the state's role in approving labor contracts is still limited, primarily through Financial Control Board approval. At SUNY, faculty at four-year and ag and tech colleges are represented by the United University Professions (UUP) in a central bargaining process that directly involves the Governor's Office of Employee Relations. (Both the PSC and UUP are part of the New York State United Teachers and the American Federation of Teachers.) However, each SUNY community college has an independently negotiated collective bargaining agreement.

CUNY salaries traditionally have been higher than salaries at SUNY. Cost-of-living expenses are, of course, higher in New York City than upstate. Yet salaries at several SUNY community colleges, like Nassau Community College, are higher than at either state-operated SUNY or CUNY units. The single bargaining unit at CUNY also means the salary schedule for community college faculty is the same as for senior college faculty, which is not typically true nationally.

As for the independent institutions, the Heald Commission first raised the issue of direct state aid to independent institutions in 1960.[13] In 1967, the governor and the regents appointed a Select Committee on the Future of Private and Independent Higher Education in New York State chaired by McGeorge Bundy. Following the release of the committee's report in January 1968, the state initiated a program of general, no-strings-attached institutional assistance to independent colleges and universities. So-called Bundy aid is based on the number of degrees awarded by an institution. By aiding independent institutions in this manner, the state found a way to assist them without becoming entangled in

TABLE 2: STUDENT FINANCIAL ASSISTANCE IN NEW YORK STATE FROM MAJOR FEDERAL AND STATE PROGRAMS, 1981-82 estimated ($ in millions)

Program	Amount	Percent
Major federal programs—total	**$1,539.6**	**82.8%**
Pell Grants	305.9	16.5
Supplemental Educational Opportunity Grants	28.7	1.5
State Student Incentive Grants*	6.6	0.4
Guaranteed Student Loans	1,137.0†	61.1
National Direct Student Loans	17.1‡	0.9
College Work-Study	44.3§	2.4
Major state programs—total	**$ 320.3**	**17.2%**
Tuition Assistance Program	279.3	15.0
Regents Scholarships	17.5	0.9
State Supplemental Loans	26.0	1.3
Total	**$1,859.9**	**100.0%**

Source: New York State Higher Education Services Corporation, *Annual Report, 1982-83.*

Note: Table excludes minor federal and state programs, SUNY tuition wavers, and institutional student aid.

***Program supplements the state expenditure for the Tuition Assistance Program.**

†Amount represents the loan capital, that is, money made available by private lenders as a result of government guarantees and subsidies. Includes loans guaranteed by the New York State Higher Education Services Corporation for state residents enrolled in schools in other states. Total does not include $26.2 million in loans from the State Supplemental Loan Program for Health Profession Students.

‡Amount represents federal capital only. Institutions have additional loan capital consisting of institutional matching funds, repayments of previous loans, and cash on hand.

§Amount represents only the federal contribution. Institutions provide a contribution of at least 20% from the institution and, in some cases, from off-campus, nonprofit employers. The state reimburses independent institutions for their contributions to this program.

their internal affairs. Under this program, each independent institution is given this year $450 for each associate degree awarded, $1,200 for each bachelor's degree, $900 for each master's degree, and $4,500 for each doctoral degree. The total Bundy aid price tag for 1983-84 is $95.7 million.[14]

Financial Aid to Students

Aid to students, or more accurately aid through students to institutions, is the second principal vehicle government uses to finance higher education. The variety of state and federal programs is great—grants, work-study programs, direct loans, and loan guarantees.

Federal Guaranteed Student Loans and Pell Grants (formerly called Basic Educational Opportunity Grants) and New York State's Tuition Assistance Program (TAP) are the principal programs, accounting for over 92% of the aid from major federal and state sources (see Table 2). Taking into account *all* forms of financial assistance, including private and institutional sources, the three programs make up 82% of all aid to SUNY and CUNY students, 65% to those at independent institutions, and 94% to students at proprietary institutions.

Under the Guaranteed Student Loan Program, which is administered through the state and involves participating banks and other lending institutions, undergraduates may borrow up to $2,500 annually and graduate students up to 5,000. The total debt an undergraduate may accumulate is $12,000 and a graduate student, $25,000. Pell Grants, which are available only to undergraduates in financial need, range from $200 to $1,800.

TAP grants are based on the amount of tuition students pay and their financial need. Grants for undergraduates range from $200 to $2,200 a year and from $100 to $600 for graduate students but may not exceed the amount of tuition paid. TAP is limited to New York State residents who attend college in the state full time and whose yearly income (or that of their families) is less than $25,000. Undergraduates are eligible for TAP grants for four years or, under certain conditions, five years. Led by TAP, New York State student aid grants represent 30% of all state-level grant dollars distributed nationwide.

CUNY undergraduates tend to rely principally on Pell and TAP grants, while those in the other sectors are more dependent on the Guaranteed Student Loan Program. Undergraduates at independent institutions in the state benefit the most from all three programs, attracting nearly 43% of the dollars for undergraduates from the three programs combined (Table 3).

The value of TAP has been eroding somewhat in recent years, apparently because of inflation. However, the program is still a particularly critical form of aid. Three of four CUNY students—and 87% at the community college level—

TABLE 3: THREE PROGRAMS OF UNDERGRADUATE FINANCIAL AID IN NEW YORK STATE BY TYPE OF INSTITUTION, 1980-81

Type of Institution	State Tuition Assistance Program Grants	Federal Pell Grants	Federal Guaranteed Student Loans	Total Amount (In thousands)	Percent
SUNY	21.7%	32.0%	35.1%	$307,948	31.0%
CUNY	20.3	29.5	7.3	163,846	16.5
Independent	46.7	34.9	45.1	424,702	42.7
Proprietary	11.3	3.6	12.5	97,550	9.8
Total	**100.0%**	**100.0%**	**100.0%**	**$994,046**	**100.0%**

Sources: New York State Higher Education Services Corporation; U.S. Department of Education.

TABLE 4: NEW YORK STATE TUITION ASSISTANCE PROGRAM (TAP) BY ENROLLMENT LEVEL AND TYPE OF INSTITUTION, 1981-82

Enrollment Level/ Type of Institution	Recipients Number	Recipients Percent	Recipients as Percent of Full-Time Enrollment	Payments Amount (In millions)	Payments Percent	Average Award
Undergraduate—total	**301,591**	**100.0%**	**53.1%**	**$273.5**	**100.0%**	**$ 907**
SUNY—total	107,906	35.8%	47.8%	$ 63.2	23.1%	$ 586
State-operated	62,887	20.9	47.2	38.9	14.2	619
Community colleges	45,019	14.9	48.6	24.2	8.9	538
CUNY—total	72,945	24.2%	71.9%	$ 47.5	17.4%	$ 651
Senior colleges	46,002	15.3	65.2	29.5	10.8	641
Community colleges	26,943	8.9	87.1	18.0	6.6	668
Independent colleges	93,846	31.1%	42.4%	$122.2	44.7%	$1,302
Other institutions	26,894	8.9%	n.a.	$ 40.6	14.8%	$1,510
Graduate—total	**15,029**	**100.0%**	**21.6%**	**$ 5.8**	**100.0%**	**$ 386**
SUNY	4,845	32.2	31.2	1.9	32.8	392
CUNY	1,236	8.2	26.1	0.5	8.6	405
Independent colleges	8,948	59.6	18.2	3.4	58.6	380

Source: New York State Higher Education Services Corporation, 1983.

use TAP, by far the highest utilization rate of any sector (see Table 4). In actual dollars, students at independent institutions collect nearly 45% of the total although they account for only 31% of the TAP recipients. This is because, as noted above, TAP awards are related to the amount of tuition paid as well as financial need. Thus, the average TAP award for undergraduates at independent schools ($1,302) is roughly twice the average at SUNY ($586) and at CUNY ($651).[15]

New York State also funds several programs to provide stipends and support services for educationally and economically disadvantaged students. This special form of assistance is designed to promote both access and retention and thereby equal educational opportunity. The major programs are the Educational Opportunity Program (EOP) at SUNY; Search for Education, Elevation, and Knowledge (SEEK) at CUNY; College Discovery at CUNY's community colleges; and the Higher Educational Opportunity Program (HEOP) at independent schools.

A larger share of CUNY senior and community college undergraduates receive this kind of assistance than do students at any other kind of institution (Table 5). However, the number authorized for enrollment in these programs at SUNY and CUNY has declined in recent years, most notably a drop of 14% in CUNY's SEEK program between 1975-76 and 1980-81. CUNY's senior and community colleges also appear to have a problem in filling the gap between authorized openings in the programs and the actual number of student participants.

Winners and losers in New York budget politics can often be identified by changes in their shares of state appropriations. In both 1979-80 and 1983-84 (estimated), about 86% of all state funds allocated to colleges and universities and to their students went to public institutions, while 14% went to private institutions.

Significant changes occurred, however, *within* these broad categories, as indicated in these figures:

Category	1979-80	1983-84
Public—total*	85.8%	85.9%
SUNY	63.7	58.7
CUNY	22.1	27.2
Private—total	14.2	14.1
Independent	12.8	11.3
Proprietary	1.4	2.8

*Figures include debt service for state-operated SUNY campuses and for all of CUNY.

The "winners," then, at least in this four-year period, were CUNY and the profit-making, proprietary institutions—CUNY largely because of the state's assumption of the full costs of the system's senior colleges and its technical college, and the proprietary sector because of the increasing number of its students receiving state student aid. SUNY's smaller share may be attributable to its reduced political support from the governor's office, as suggested earlier.

The Question of Tuition

Tuition is, of course, a central component in the financing of higher education. To most students and their families, tuition means heavy expenses and, in many cases, searching for loans, work, grants, and scholarships. Tuition is also an important factor in determining whether or not one goes to college, especially full time, and, if so, to which school.

To the institution, tuition means revenue with which to pay its expenses—its financial health and sometimes even its survival. Institutions also recognize that tuition levels influence students' choices in any particular undergraduate, graduate, or lifelong learning program.

In the fall of 1983, full-time undergraduate tuition at SUNY was $1,375; at CUNY, $1,225; and at independent institutions in the state, an average of $5,900. This year SUNY raised its tuition $300 and CUNY raised its $150, although CUNY and the city decided not to increase tuition for part-time students at community colleges.

Public college tuition nationwide ranges from about $1,600 in Vermont and New Hampshire (1982-83) to under $500 in California, Texas, and Hawaii (1983-84). Nationally, private college tuition averages slightly less than in New York, but again the range is wide.

Despite the 200-year history of the University of the State of New York, there has never really been a state policy on tuition for public institutions. From the opening of the Free Academy (City College) in 1849 until August 1976, New York City's municipal colleges had a remarkable public policy regarding tuition: enrollment was free (although student "fees," tuition by another name, began to mount in the early 1970s). However, the city's fiscal crisis of 1975-76 ended that policy as a tradeoff for the state's assumption of the financial responsibility for CUNY and for federal loan guarantees.

Throughout the 1960s and 1970s, SUNY maintained a

TABLE 5: UNDERGRADUATE ENROLLMENT IN NEW YORK STATE'S EQUAL EDUCATIONAL OPPORTUNITY PROGRAMS, 1975-76 and 1980-81

	1975-76 Authorized		1980-81 Authorized			1980-81 Actual	
Type of Institution/Program	Number	Percent of Full-Time Enrollment	Number	Percent of Full-Time Enrollment	Percent Change from 1975-76	Number	Percent Difference from 1980-81 Authorized
SUNY/EOP	7,800	6.8%	7,400	6.4%	- 5.1%	7,609	+ 2.8%
SUNY community colleges/EOP	3,300	3.3	3,000	2.8	- 9.1	2,748	- 8.4
CUNY/SEEK	11,400	12.3	9,800	15.0	-14.0	8,732	-10.9
CUNY community colleges/ College Discovery	4,900	12.4	4,892	12.9	- 0.2	4,262	-12.9
Independent colleges/HEOP	5,300	2.8	5,561	2.6	+ 4.9	5,735	+ 3.1

Sources: Annual reports of programs at SUNY, CUNY, and independent colleges and universities, 1979-80 and 1980-81.

Note: Authorized and actual enrollments are calculated in full-time equivalents, averaging fall and spring enrollments. The most recent data available for all three sectors are for 1980-81.

relatively high tuition level for a public institution. Now, both SUNY and CUNY have pushed New York near the top of states regarding both level of tuition and ratio of tuition to appropriations for higher education.[16] However, a large proportion of tuition cost is absorbed by the state's sizable student aid programs.

The tuition "gap" is often a sore point between the public and private sectors of higher education. Independent institutions generally seek to close the gap in order to increase their enrollments and thereby to improve their financial health. This gap is especially significant as New York State faces the prospect of declining enrollments (discussed in the next section).

There are currently two proposals regarding this issue: one, contained in Governor Cuomo's proposed budget, to index tuition at public institutions at a fixed percentage of their costs and one, put forth by a citizens group, to base tuition at public institutions (or at least at SUNY) on the ability of the student or the student's family to pay.[17] No state currently uses an ability-to-pay approach in setting tuition levels.

There are two motivations behind the proposals: (1) to contain the state's costs for public institutions and (2) to use tuition policy to optimize student choice and presumably "manage" the enrollment shares between public and independent institutions. Any policy that would "automatically" trigger tuition increases at public institutions would also take some of the annual pressure off policymakers on this issue.

Some observers feel that students should pay a larger share of the costs because they—as well as society as a whole—benefit from higher education. Some proposals also recommend that different levels of undergraduates (e.g., freshman and seniors) should pay different rates. Theoretically, undergraduate students in different academic majors (say, engineering and sociology) might also pay different tuitions, as medical school and history graduate students already do.

Just as they do in connection with Bundy aid, independent institutions remind us that their students are far less expensive than are SUNY and CUNY students for the state to educate and that tuition policy is a desirable mechanism to promote enrollment in the independents. Public institutions often reply that their lower tuition means increased access and that it is not appropriate for the state to assist private colleges directly through the Bundy aid program.

Because of the state's Tuition Assistance Program, there are alternatives to tuition changes. These include raising the income level for TAP eligibility and/or raising the lid on maximum TAP payments.

In a turbulent period when legislation is pending in Washington to curtail federal student aid programs, a number of observers are concerned about the socioeconomic mix of students, especially at public institutions, that would result from implementing these proposals. Such changes might tend to leave mostly disadvantaged and minority students primarily at SUNY and CUNY.

A related tuition question, since the state is now responsible for both SUNY and CUNY, is whether or not both public systems should have the same tuition levels. Right now, they do not. But the economic level of their students, the uses of tuition revenue, and their costs are also different.

Any attempt to formulate a state policy about tuition requires a careful analysis of many factors: students' ability to pay; educational costs; educational, social, and economic goals; higher education as a state budget priority; traditional tuition policies; current financial condition and prospects of colleges and universities; sophistication in financial management and costing techniques; equity considerations; relationship of tuition to state and federal student financial assistance and other state funding for higher education; the impact on access to higher education; and the efficiency and effectiveness of institutions. In the end, "tuition policies ultimately reflect combinations of political choices and economic constraints."[18]

TABLE 6. FULL-TIME EQUIVALENT ENROLLMENT IN NEW YORK CITY AND STATE BY TYPE OF INSTITUTION, Fall 1982

Type of Institution	New York City	New York State*
Public—total	**50.0%**	**47.6%**
SUNY	3.0	32.8
CUNY	47.0	14.8
Private—total	**50.0%**	**52.4%**
Independent	45.6	49.8
Proprietary	4.4	2.6
Total	**100.0%**	**100.0%**
Total number	276,159	877,478

Source: New York State Education Department, 1983.

Note: For these data, full-time equivalent enrollment is calculated by dividing part-time undergraduate enrollment by 3, multiplying graduate and first-professional enrollments each by 0.4, and adding the results to full-time enrollment. This is the method traditionally used by the New York State Education Department.

***Includes New York City.**

Changing Enrollment Patterns

Capacity is the match between enrollment and an institution's ability (faculty, physical space, equipment) to absorb these students. Higher education capacity in New York can be viewed as moving from too little in the 1950s to too much by the late 1980s. Currently, enrollments statewide and in New York City are more or less equally divided between private and public institutions (Table 6).

A variety of factors determine enrollment levels at colleges and universities. First, there is the size of the general population, or at least the adult segment of that population. From 1970 to 1980, New York State lost about one million residents, one of only two states to record a decline. New York City lost nearly 800,000, although not all of these left the state. From 1980 to 2000, the state's population is projected to decline 14.6%—far more than any other state.

Second, high school graduates are traditionally the principal source of students. Many factors determine the annual number of high school graduates: child-bearing patterns and birth rates approximately 18 years earlier; migration patterns; dropout rates in junior high school and high school (which are especially high in New York City); and the academic requirements and graduation standards of high schools. (High school equivalency programs are another source of high school graduates.)

In 1979-80, nearly 236,000 students graduated from

high school in this state, but that number is projected to decline 15.7% by 1984-85 and 31.2% by 1989-90—both rates significantly greater than the projected national decline. Further, the decline will be steeper upstate than in New York City (Table 7).

Observers sometimes contend that the college-going rate in New York State is inflated by an "excessive" percentage, 78.3% in 1980, of New York City's high school graduates going on to some form of postsecondary education, compared with 65.6% upstate. However, this comparison masks the fact that a smaller share of the 18-year-old age group in New York City than upstate actually goes to college because of the extremely high dropout rate in the city's public junior and senior high schools (see Table 8).

The background and preparation of high school graduates also influence the likelihood of college attendance and especially the choice of collegiate program. There have been some indications lately in New York City, for example, that public high school students are tending to take more academic courses and that students in grades 2 through 9 are demonstrating improved performance on national standardized tests.[19] Yet, of the 12th graders in 1982, 37.8% were two years or more below grade level in reading, and 47.4% were two years or more below grade level in mathematics.[20]

Beyond just the number of high school graduates and the general adult population, the decision to go to college influences higher education enrollment. The availability of financial assistance, the possible requirement for national service, and the availability of jobs also influence the high school graduate's willingness and ability to enroll in college.

Further, the distribution of students between the public and private sectors of higher education influences enrollments at any particular institution and level. Upstate, SUNY and the independent colleges compete for students, especially from white, middle-class families. In New York City, the competition may be even more intense; a short subway ride takes the prospective student to a variety of institutions. Between 1964 and 1974, CUNY's share of full-time equivalent enrollment went from 42.3% to 60.6% but dropped back to 47.7% by last fall (see Table 9). Factors contributing to this recent trend include the end of free tuition and open admissions in the senior colleges; CUNY's closing in June 1976 for two weeks as a result of the city's and state's fiscal crises and its own misjudgment of the rapidly changing financial picture; significant faculty retrenchment; and the resulting adverse publicity.

Many other participation patterns influence enrollment, for example, the number of New York State residents attending college out of state and out-of-state students coming to schools in New York. In the fall of 1979, 54,000 first-time students at all levels from New York went out of the state for college (35% of these to schools in contiguous states), while just under 32,000 first-time students came into New York, most to independent institutions, leaving a net loss of some 22,000 students.[21]

Foreign students are another source of enrollment. Some 7,400 new foreign students enrolled in postsecondary institutions in New York State in fall 1979, about 7% of all new foreign students in the United States that year.

The perceived increased difficulty in financing a college education—fueled by President Reagan's attempts to cut federal student aid programs—has also led some students nationally to switch from independent to less expensive public institutions and from going away for college to attending

TABLE 7: HIGH SCHOOL GRADUATES IN NEW YORK STATE AND CITY; 1979-80, 1984-85 and 1989-90 projected

		1984-85 Projected		1989-90 Projected	
	1979-80	Number	Percent Decline from 1979-80	Number	Percent Decline from 1979-80
New York State, excluding New York City	170,447	140,225	-17.7%	113,420	-33.5%
New York City	65,490	58,782	-10.2	48,813	-25.5
New York State—total	**235,937**	**199,007**	**-15.7%**	**162,233**	**-31.2%**

Source: New York State Education Department, *Projections of Public and Nonpublic High School Graduates, 1980-81 to 1989-90, New York State*, September 1981.

TABLE 8: 18-YEAR-OLD COHORT, HIGH SCHOOL GRADUATES, AND POSTSECONDARY ENTRANTS IN NEW YORK STATE AND CITY, 1980

		High School Graduates in 1979-80		Postsecondary Entrants in Fall 1980*		
	Number of 18-Year-Olds in 1980	Number	Percent of 18-Year-Olds	Number	Percent of High School Graduates	Percent of 18-Year-Olds
New York State—excluding New York City	205,801	170,447	82.8%	111,598	65.5%	54.2%
New York City	109,182	65,490	60.0	51,291	78.3	47.0
New York State—total	**314,983**	**235,937**	**74.9%**	**162,889**	**69.0%†**	**51.7%**

Sources: Information Center on Education, New York State Education Department; 1980 Census.
*Includes degree-granting and other postsecondary institutions both within and outside of New York State.
†Of this proportion, 64.9% entered degree-granting institutions and 4.1% entered other postsecondary institutions.

one near home. CUNY and many New York City independent colleges have had an increase in applications in the last two years, in part as a resul of these trends.

While colleges pursue new constituencies, especially older, nontraditional students, through intensified recruitment efforts and program adaptation, for most institutions the full-time undergraduate is still the mainstay. However, the Board of Regents projects a decline of 28.4% in full-time undergraduates over the next 15 years, from about 568,000 in 1982 to just over 407,000 in 1997.[22]

The independent sector is especially concerned about this downturn. Nationally, in 1950 about one-half of all college students attended private institutions. Today, the proportion is only about 20%. In this respect, New York is significantly different from the rest of the nation with the state's independent college enrollment still at about 50% (see Table 6). Still, even as all sectors face potential enrollment declines, the private sector confronts the greatest difficulties, particularly institutions with small enrollments. Of the 135 independent institutions in the state, 80 have enrollments of fewer than 1,000 students.

While the regents maintain an oversight policy regarding the possible closing of independent institutions, public policy in this area remains far from clear. With the large capacities of the state's two public systems, this is another point of conflict between them and the independents.

Higher Education and Economic Development

The 1980s find higher education focusing on an old public policy issue with new significance—economic development. In New York's competition with other states for business and industry, the expertise of the academy is being sought and promoted to attract high-technology industry, to expand traditional public service and applied research activities, to conduct policy studies of specific state problems, and to offer educational programs, retraining, and continuing education to create an appropriately skilled labor force.

Most people tend to think of higher education's principal contribution to economic development in terms of better jobs and higher incomes for colleges graduates. Indeed, the estimated lifetime earnings of a college graduate are about 25% more than the typical high school graduate's. But those who were conditioned to the labor market for college graduates in the 1960s have since discovered that it was not typical. Because of the relationship of higher education and the economy in that period, college graduates enjoyed better opportunities than have graduates either before or since.[23] This year's June graduates faced far fewer offers than even a year ago, partially because of the economy and partially because of the post-World War II baby boom cohort of graduates that preceded them into industry's middle levels. Besides, more individuals with a college degree inevitably means that the degree will be worth somewhat less.

Yet, there is some indication of a serious shortage of technically trained labor. One study, by the National Science Foundation, found that the employment of scientists, engineers, and technicians between 1977 and 1980 in manufacturing grew six times faster than the total work force, 6% a year compared with 1%. This is attributable largely to the increased growth of high-technology industry; increased emphasis on productivity, cost competitiveness, and quality control; and the increased use of computer technology.[24]

Many expert observers see the sophisticated university as the key to the knowlege-based "Second Industrial Revolution." For example, Bruce Nussbaum, associate editor of *Business Week*, has observed:

> Finally, our system of higher education has to be reinvigorated. The "hot-tub high-tech" culture of Silicon Valley is intimately connected with California's best universities. In the past, rivers, ports and raw materials determined where new industries developed. Today, the presence of sophisticated universities determines where the corporations of the future will grow. Just as the spread of "aggie" schools throughout the Middle West in the 19th century increased the productivity of farms, so too would the spread of new "techie" schools revitalize middle America.[25]

Nussbaum echoes a survey of high-technology firms by the Joint Economic Committee of Congress. The committee found that the location decisions of these firms differs from those of manufacturing corporations in several important ways. High-technology companies are much less concerned with access to markets, raw materials, and transportation. Along with state and local tax structures, high-technology firms are much more concerned with accessibility to technical and professional labor and proximity to excellent academic institutions, particularly in the sciences. Colleges and universities benefit these firms by providing skilled labor (graduates, research assistants, and faculty consultants) as well as through their basic research activities and the intellectual and cultural climate they foster.[26]

New York State government has been active in trying to

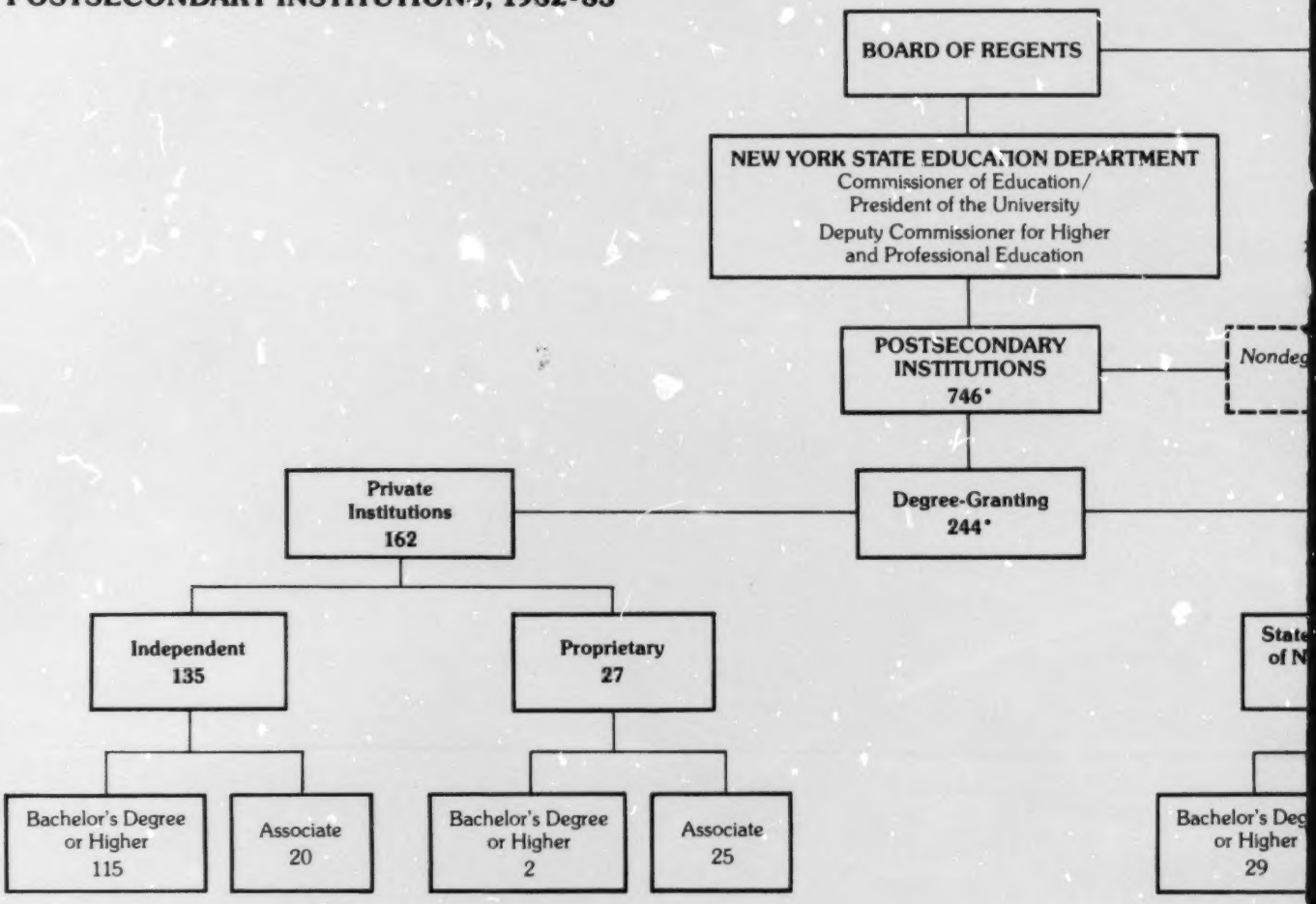
TABLE 9: FULL-TIME EQUIVALENT ENROLLMENT IN NEW YORK CITY BY TYPE OF INSTITUTION, 1964-82

	Fall 1964*		Fall 1969		Fall 1974		Fall 1979		Fall 1982	
Type of Institution	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**	**Number**	**Percent**
CUNY	62,471	42.3%	108,682	48.5%	177,258	60.7%	137,181	49.2%	129,873	47.0%
SUNY	3,863	2.6	4,772	2.1	5,804	2.0	8,232	2.9	8,366	3.0
Independent	81,506	55.1	110,506	49.4	103,814	35.5	124,159	44.5	125,888	45.6
Proprietary	—	—	—	—	5,301	1.8	9,433	3.4	12,032	4.4
Total	**147,840**	**100.0%**	**233,960**	**100.0%**	**292,177**	**100.0%**	**279,005**	**100.0%**	**276,159**	**100.0%**

Source: Bureau of Postsecondary Planning, New York State Education Department, 1983, at author's request.

***Enrollments of independent institutions may be slightly understated for 1964. Also, enrollments at all four-year institutions may be slightly understated because of the way nonmatriculated students were reported.**

UNIVERSITY OF THE STATE OF NEW YORK – POSTSECONDARY INSTITUTIONS, 1982-83



Sources: Adapted from *Final Report* of the Governor's Task Force on Higher Education, December 1975, p. 146. Data for 1982-83 from New York State Education Department and State University of New York.

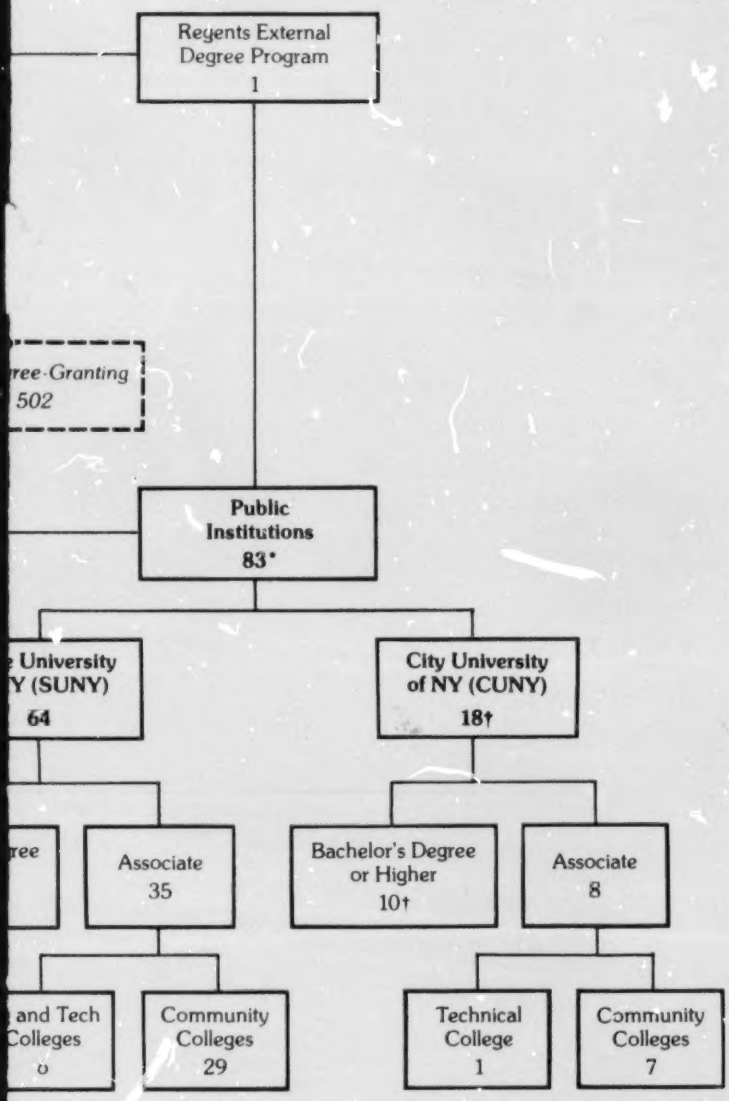
*Two federal institutions, the United States Military Academy at West Point and the Merchant Marine Academy at Kings Point, also operate within the state but are not included in the total.

†Mt. Sinai School of Medicine, an independent institution, is loosely affiliated with CUNY but is not included here.

turn around the state's economy since its fiscal difficulties in 1975. Perhaps as many as 500,000 private-sector jobs have been added, largely in new, small businesses, expansions of existing firms, and growth in service industries.

While taxes (even with some cutting) and labor costs may deter new high-technology industry from setting up in New York, existing firms, a pool of skilled labor, and a strong statewide higher education system promote New York as a location for new industry. In the area of higher education the state has taken a number of initiatives. Three seem particularly important:

- With the support of General Electric and other firms, the state has created a Center for Industrial Innovation at Rensselaer Polytechnic Institute in Troy as the setting for a "new partnership among university, industry, and government" to focus on technological innovation and industrial productivity.[27]
- SUNY has established a School of Engineering, Applied Science, and Technology at the university center at Binghamton with the help of an industry-based High Technology Council—despite the high costs of such an enterprise.
- The State Science and Technology Foundation, nearly killed early in the first Carey administration, has initiated a program for the creation of Centers of Advanced Technology by universities, university-affiliated research institutes, and consortia of institutions in collaboration with research-intensive industry throughout the state. Seven centers are to be targeted in such fields as computer applications, optics, telecommunications, biotechnology in agriculture, and



medical devices.

Many other cooperative developments have been initiated by institutions and/or promoted by state officials, the regents, and private-sector representatives.[28] However, there must be more and better communication between higher education and industry. Much of it should focus on problem-oriented research, although getting universities and industries involved in joint ventures—given their different goals and nature—is not without problems.

When Governor Cuomo appointed a State Council on Fiscal and Economic Priorities in May 1983, he signaled a continuing concern by the state for economic development, and with his appointment of President John Brademas of New York University as the chairman, the governor affirmed the link between higher education and the state's economy.

Toward an Uncertain Future

Higher education in New York is entering a period of increasing turbulence, marked by changing patterns of politics, finance, and enrollment. Many of these challenges bear on the more fundamental issues of the economic, social, and political development of New York State and New York City.

There is no important element in higher education that is not influenced by public policy—who attends, who pays, what is studied, which institutions survive and prosper, and which research and public service projects are carried out. Moreover, for over two decades New York State has been recognized as a national policy leader in the field of higher education.

Three sets of issues increasingly dominate policymaking for higher education: the changing environment for the higher education enterprise, the increasing politicization of policymaking, and the need for new partnerships.

The Changing Environment

As elaborated earlier, the social, economic, and political setting for higher education will continue to change rapidly. Enrollment patterns are shifting, and the most important, traditional source of students, the full-time undergraduate, will decline in number over the next ten years. Public attitudes regarding higher education continue to shift, and it is losing some of its luster. Public and private resources devoted to higher education are becoming increasingly tight. In addition, colleges and universities are being challenged by newcomers to postsecondary education—proprietary institutions, private industry, professional associations, and community organizations—just as higher education is increasingly developing excess capacity. Further, the interrelated issues of access and quality remain, especially as higher education institutions seek to maintain both in a difficult environment. And finally, higher education is only beginning to learn how to deal with personnel retrenchment, program curtailments, and campus closings, all brought about by a changing environment.

Increasing Politicization

The traditional give-and-take among the sectors of higher education in New York has escalated to the equivalent of open warfare. Moreover, the locus of decision-making authority has moved from the campus to Albany, and the fundamental involvement of the state in financing higher education, both public and private institutions as well as students, has increased the demands for accountability.

Another dimension of politicization may well return. Student political activity is beginning to increase again in vitality and visibility. Some of the issues are familiar, like the possibility of the draft or national service or armed conflict. Other issues are new or take on new significance, like the availability of student financial aid, nuclear weapons and power, and environmental pollution and toxic waste.

New Partnerships

In order to accomplish its goals in this uncertain period, higher education will have to enter new relationships, trading off the risk of less autonomy for greater value to society. Three partnerships seem especially critical in the

next decade:

- With *industry and government* to promote the state's and the city's economic development, especially in high-technology fields and joint research as well as in lifelong education and retraining;
- With *elementary and secondary schools* because all education is inherently interrelated and improvements at lower levels have important implications for higher education enrollment, curriculum, and effectiveness;
- Among *all higher education sectors* to maximize effective resource utilization—especially in the most expensive academic fields and those with the tightest markets for faculty—and to promote the value of higher education in competition with other state and local priorities.

The issue of excellence in education, the primary focus of recent reports on elementary and secondary schools, is just as relevant to higher education. Like American high schools, colleges and universities are troubled institutions in a difficult period. With the national policy spotlight turning again to the public schools, all of education is likely to be valued more.

In 1984, the University of the State of New York will be 200 years old. The challenges to individual colleges and universities, to the higher education establishment, and to public policymakers have rarely been greater.

Frederick S. Lane teaches public administration at Baruch College, City University of New York, serving as department chairperson in 1980-83. He has written widely on university management, including the chapter on higher education in *Productivity Improvement Handbook for State and Local Government*, published by John Wiley & Sons in 1980. In 1975, Professor Lane was staff director of the Governor's Task Force on Higher Education and in 1981-82 was president of the New York State Political Science Association.

Notes

1. See Bruce B. Detlefsen, *A Popular History of the Origins of the Regents of the University of the State of New York* (Albany: New York State Education Department, March 1975).

2. See Robert E. Marshak, *Academic Renewal in the 1970s: Memoirs of a City College President* (Washington: University Press of America, 1982), pp. 2-3.

3. In most states, the governor nominates and the upper house of the legislature confirms appointments to the Board of Regents. In New York State, regents are elected by the legislature as a whole. Where did this strange appointment process start? It is the same process originally used to select United States senators before the Constitutional amendment requiring direct election.

4. *The Control of the Campus: A Report on the Governance of Higher Education* (Washington: Carnegie Foundation for the Advancement of Teaching, 1982), p. 39 and Appendix B.

5. See Heinz Eulau and Harold Quinley, *State Officials and Higher Education* (New York: McGraw-Hill Book Company, 1970).

6. See *Changing Public Attitudes on Governments and Taxes, 1981* (Washington: Advisory Commission on Intergovernmental Relations, 1981).

7. The data in the previous section are based on the work of M. M. Chambers of Illinois State University as reported in *The Chronicle of Higher Education*, October 10, 1982.

8. *Monthly Tax Features*, XXV (November-December 1981), p. 4, based on data from the U.S. Bureau of the Census and computed by the Tax Foundation.

9. *Ranking of the States, 1982* (Washington: National Education Association, 1982), p. 25, based on data in *Survey of Current Business* (July 1981), p. 31.

10. Much of this analysis is based on the work of D. Kent Halstead, National Institute of Education, especially as it appeared in *The Chronicle of Higher Education*, February 10, 17, and 24, 1982, and unpublished work, 1983.

11. For an analysis of the problem of equitable funding for New York's two public systems, see *Budgeting and Resource Allocation at the City University of New York* (New York: Educational Priorities Panel, August 1980).

12. See Willis H. Stephens, Albert B. Roberts, Erman J. Cocci, and Robert Hotz, *SUNY, 1975-1982: A Budgetary Battle of Access Versus Quality* (Albany: New York State Assembly, June 1982) and Henry Steck, "The Unmaking of a University," unpublished manuscript, 1983.

13. Marion B. Folsom, John W. Gardner, and Henry T. Heald (Chairman), *Meeting the Increasing Demand for Higher Education in New York State: A Report to the Governor and the Board of Regents* (November 1960).

14. In addition to aid to students and Bundy aid, the state also provides funding support for medical and dental schools and various other programs at independent institutions. Capital construction projects for SUNY, CUNY, and the independent sector are facilitated by the state, although in a somewhat different manner for each.

15. In December 1982, Governor-elect Cuomo created a Task Force on Education as part of his transition team. One of its recommendations was that TAP be extended to part-time students as an incentive for educationally and economically disadvantaged students. The idea was embodied in the Serrano-Marchi bill, but budget constraints make passage unlikely in the near future.

16. See, for example, D. Kent Halstead, "Fact-File: How the 50 States Rank," *The Chronicle of Higher Education*, February 17, 1982, p. 14.

17. See Richard V. Horan, *Let Students' Ability to Pay Decide State University Tuition Price* (Albany: Citizens Public Expenditure Survey, Inc., March 1983) and H. Douglas Barclay, Geraldine Daniels, Joseph L. Galiber, and Robin Schimminger, "Legislators Urge SUNY Peg Tuition to Income," press release, June 7, 1982. On the question of the level of tuition for out-of-state residents enrolled at SUNY, see "Comparative Resident and Non-Resident Tuitions, Enrollments and Policies in the Fifty States," *Memorandum Report to the Legislature* (Albany: Legislative Commission on Expenditure Review, June 7, 1983).

18. Carol Van Alstyne, "Rationales for Setting Tuition Levels at Public Institutions," *Educational Record*, LVIII (Winter 1977), pp. 66-82.

19. See Edward B. Fiske, "High School Students in City Taking More Difficult Courses," *New York Times*, June 12, 1983, pp. A1, A54; Gene I. Maeroff, "Students in City Top U.S. Levels for School Tests," *New York Times*, June 16, 1982, pp. B1, B6; and Joyce Purnick, "Pupils Continue Above Average in Exam Scores," *New York Times*, May 27, 1983, pp. B1, B7.

20. Data from High School Division, Board of Education, City of New York, at the request of the author.

21. See Melodie E. Christal, *Residence and Migration of College Students (Working Paper)* (Boulder: National Center for Higher Education Management Systems, Enrollment Analysis Project, 1982).

22. New York State Education Department, Office of Postsecondary Research, Information Systems, and Institutional Aid, 1982.

23. See, for example, Russell W. Rumberger, *The Job Market for College Graduates, 1960-1990* (Stanford University, Institute for Research on Educational Finance and Governance, February 1983).

24. *Changing Employment Patterns of Scientists, Engineers, and Technicians in Manufacturing Industries, 1977-1980* (Washington: National Science Foundation, 1983).

25. Bruce Nussbaum, "'Rethinking' Works," *New York Times*, June 12, 1983, op. ed. page.

26. Robert Premus, *Location of High Technology Firms and Regional Economic Development: A Staff Study* (Washington: Joint Economic Committee, June 1, 1982). Also see John C. Hoy and Melvin H. Bernstein, eds., *Business and Academia: Partners in New England's Economic Renewal* (Hanover, N.H.: University Press of New England, 1981).

27. George M. Low, President, Rensselaer Polytechnic Institute, "The Center for Industrial Innovation," memorandum, September 7, 1982.

28. For a progress report, see Donald Y. Nutter, "A New 'Mr. Chips,'" *Inside Education*, LXIX (Winter 1983), pp. 5-8.

New York State's Fiscal Condition and Budget and Their Implications for Higher Education

By Paul T. Veillette

The quest of higher education for prestige, influence, and academic excellence is boundless. To attain these goals, it will raise all the money it can and spend all it raises. In essence, these are the "laws of higher education costs" enunciated by Howard Bowen in a report for the Carnegie Council on Policy Studies in Higher Education.

Over the past 20 years, these laws have seemed immutable in New York State, an interval that has seen the full-time equivalent enrollment in the state's independent and public colleges and universities grow from 273,243 in 1960-61 to 738,436 in 1981-82, a rise of 170%.* Over roughly the same period, higher education's share of total state appropriations has risen from 4.9% in 1960-61 to 11.5% in 1983-84 (see table below). Clearly, over the past two decades higher education has been a high funding priority for the state, despite the fiscal austerity of the last ten years. For example:

- The State University of New York (SUNY) has issued over $2.5 billion in construction bonds and currently has $425 million in bond authorization remaining within its $3 billion statutory cap—a cap it finds too confining for its capital aspirations.
- The City University of New York (CUNY), which has no such cap at present, has plans for construction estimated to cost $1.3 billion.
- In 1968, the state legislature adopted Bundy aid to independent colleges—aid based on a funding formula geared to degrees produced ($450 for each associate degree, $1,200 for each bachelor's degree, $900 for each master's degree, and $4,500 for each doctoral degree). For fiscal 1983-84, the program has a price tag of $95.7 million.
- Six years later, in 1974, the legislature adopted the Tuition Assistance Program (TAP). TAP awards, which are made directly to students in both public and independent institutions on a sliding scale based on student family income, are, in effect, indirect aid to the institution. For the upcoming fiscal year, it is estimated that the cost of TAP will reach well over $300 million.

When it was conceived in 1974, the intent of TAP was to provide a student with the freedom to choose either an independent or public institution, whichever best suited the student's educational goals. Implicitly, the program recognized that both public and independent institutions were components of one higher education system under the oversight of the Board of Regents of the University of the State of New York.†

Today, measured on a state appropriation per student basis, state aid to independent institutions and state appropriations to public institutions are among the most generous in the nation. But the weak points in the state's economy, continuing state budgetary stringency, and the rise of urgent, strongly competing demands for state funds point to change.

The State's Economy

Economically and demographically, the State of New York is in transition. A series of studies published from 1979 to 1981 by the Metropolitan Studies Program at Syracuse University's Maxwell School has delineated its elements:

- Over most of the past 20 years, the state's economy has grown slowly relative to the nation's. Per capita personal income has slipped from 23% above the national average in 1960 to 5% at the close of the 1970s. If the trend continues, the state's per capita income will be below the national average by the 1990s.
- The state's population decreased from 9.4% of the U.S. total in 1960 to 8.1% in 1978, with a net loss in absolute terms of approximately a half million people during the 1970s alone (the largest population drop of any state). Five independent sets of long-term projections indicate that the state will continue its decline relative to the nation into the 1990s, will increase the proportion of its minority and elderly population, and will have a marked increase in single-parent female-headed households.
- New York State's share of national employment dropped from 11.4% in 1960 to slightly over 8% toward the end of the 1970s. In absolute terms, employment in the state is projected to grow very modestly into the 1990s.
- Despite these trends, by 1975 residents of New York State had the heaviest tax burden (state and local taxes combined) in the nation. A per capita income 11% above the national average supported governmental expenditures that were 57% above the national average.

HIGHER EDUCATION'S SHARE OF NEW YORK STATE'S GENERAL FUND APPROPRIATIONS, 1960-61 – 1983-84 ($ in millions)

Year	Total Appropriations	Higher Education Appropriations	Higher Education as Percent of Total Appropriations
1960-61	$ 1,915.7	$ 93.1	4.9%
1970-71	6,691.8	640.7	9.6
1980-81	14,849.9	1,644.4	11.1
1983-84	18,800.6	2,166.9	11.5

Sources: Keppel Task Force Report, March 5, 1973; New York State Division of the Budget, May 1983.

Note: The figures are for appropriations, which are not the same as actual expenditures.

*The full-time equivalent student is a measure of academic workload developed by converting full-time and part-time students into equivalent units. One common technique divides the total student credit hours taught at an institution by the number of student credit hours taken by an "average" full-time student.

†The University of the State of New York encompasses all educational programs in the state from kindergarten through graduate and professional schools, as well as related cultural institutions. See Frederick S. Lane's article in this issue, page 2, and the diagram on pages 14-15.

It is always risky to attempt to summarize the conclusions of a series of complex reports, particularly since economic projections are often more speculative than scientific and the data require careful interpretation. Subsequent to the Maxwell reports, for example, New York State's employment growth rate slightly exceeded the national rate, and its per capita income rose by three percentage points more than the nation's during 1980 and 1981. The state's performance followed two years of weak national growth and, according to the state Division of the Budget's *Mid-Year Report* (October 1982), "the State is expected to lag the national recovery, as it did the downturn. . . ." In short, the state's recent improved performance relative to the nation's is likely to be of short duration unless a dramatic reversal of past trends develops and is sustained.

New York State's economic position has been weakened, and henceforth the state must compete on a more equal basis with the rest of the nation. It must do so while an increasing proportion of its population falls into the "dependent/high governmental cost" category: economically disadvantaged minorities, the elderly, the female heads-of-household without a spouse.

The state must also accommodate other critical needs—the decay of its infrastructure (transportation, water and sewer systems, for example), investment in economic revitalization (including high technology), housing of the growing and increasingly volatile prison population, the introduction of greater equity into school aid formulas, and medicaid reform. None of these problems can be solved inexpensively. Even if the funding to meet these needs is bonded, the debt service on the bonds will be significant for a state that already has the highest public debt per capita of any state in the nation.

The Budgetary Context

The general outline of New York State's recurring budgetary crisis is well known. Virtually each year for the past decade, the state's governors have had difficulty in presenting balanced budgets to the legislature as required by the state constitution. The state of the state's economy has been a major contributing factor to this dilemma, but the cumulative effect of past program enrichments, including such entitlement programs as TAP, has played its part along with rising energy costs, increased costs of collective bargaining settlements, and new intergovernmental fiscal ventures such as the full assumption of CUNY's tax-levy costs.

When the governor presented the state's budget for the current fiscal year (April 1, 1983-March 31, 1984) to the legislature on February 1, the state faced a 1983-84 gap between projected expenditures and revenues of $1.8 billion. A week earlier, Governor Cuomo attributed the gap to the prolonged recession, which has slowed the state's revenue flow from income and sales taxes, to federal budget cuts in discretionary and other aid, to the tax cuts enacted by the legislature since 1976, and to $1.0 billion in new programs begun during that same period. The result has been a "structural imbalance between normal, recurring revenues and ongoing expenditures" that has been compensated for in each of the past four years by the use of one-time revenues. (New York State is not alone with its fiscal woes. The condition of the national economy has forced 33 states to reduce their work forces and 21 states to raise taxes.)

When the governor submitted his budget recommendations to the legislature he proposed harsh measures to close the gap between revenues and expenditures. The details of those measures need not concern us here, for the legislature (after negotiation with the governor) has passed its own version of the 1983-84 budget. In keeping with the governor's policy, the so-called "broad-based taxes"—the sales tax and the income tax—were not increased, but $900 million in additional miscellaneous taxes and fees were imposed. The number of personnel layoffs proposed in the governor's budget was significantly reduced. Most of the appropriation cuts called for by the governor in higher education budgets were restored by the legislature, although the tuition increases he proposed for public institutions were largely sustained. Layoffs were not required at SUNY or CUNY but were to be implemented at mental health and mental retardation institutions.

New York State faces a zero-sum budget game for the foreseeable future—a game defined by M.I.T. economist Lester Thurow as one in which there must be losers if there are to be winners. The state's slowly growing economic base effectively eliminates the possibility of satisfying all demands for public funds. Zero-sum budgeting means that choices in social priorities *must* be set by our elected officials if pressing social ills are to be ameliorated. Unavoidably, there would be losers as well as winners, but legislators traditionally prefer that there be no losers, particularly among the politically powerful. Higher education, with its numerous and articulate constituencies, must be numbered among the powerful. Welfare mothers, prisoners, and mental patients must struggle harder for recognition.

Higher Education and Competing Demands

New York State has the largest higher education system in the nation. SUNY is the nation's largest public university system (290,000 students), while CUNY (over 130,000 students), fully funded by the state since July 1982, is the third largest. The independent colleges represent the largest of three sectors, with almost 43% of the total enrollment in the state. The cost to the state taxpayer of the total system equals an impressive $2 billion per year, and the system has federal funds (direct and indirect), tuition income, and private grants available to it as well. Despite competition for public funds among the sectors, each has been the recipient of massive new and expanded funding over the past 20 years. The higher education system, after all, contains numerous students, an auxiliary of parents, and politically powerful unions of faculty and nonteaching personnel.

If it should appear that higher education in the state, or a portion of it, is to be a "loser" in the zero-sum budget game, the political struggle will be intense. As Senator Paul Tsongas of Massachusetts has noted in his recent book, *The Road from Here*: "At present, we suffer from a kind of institutional myopia, wherein each special-interest group focuses on its own sets of concerns as a priority before other needs. To make matters worse, these groups perceive the notion of adapting a wider perspective as somehow an attack on the validity of their own concerns."

In 1964, the Board of Regents issued its first quadrennial *Master Plan for Higher Education*. One of its concerns was

to expand opportunities for higher education. Total enrollment was then approximately 300,000 students, and the regents advocated expansion to over 430,000 by 1970—a goal they estimated would still deny access to between 50,000 and 180,000 potential students. Today, enrollment is over one and a half times the 1970 target, but demographic projections for the 1980s show a decline in the number of high school graduates in the state, the traditional college-bound cohort. Public and independent institutions have already begun to compete fiercely for this pool and for the increasing pool of students with nontraditional academic backgrounds. Students represent income, through tuition and through governmental appropriations, and are the means through which higher education administrators maintain the physical plants and payrolls that have vastly expanded over the past 20 years.

Higher education, as Bowen observed, is by nature expansionary. Psychologically, to a greater extent than most other bureaucracies, it rejects the notion of contraction. SUNY—comparatively new (1948) and with approximately 60% of the state government's allocations to higher education and over 30,000 employees—feels especially vulnerable. Further, the memories of massive retrenchment and dislocation at CUNY during 1975-76 as a result of New York City's fiscal crisis remain vivid.

In the competition for students between the independent and public institutions, the independent institutions have had special problems. The rampant inflation of the late 1970s and early 1980s has spurred them to increase tuition markedly. The governor's *1983-84 Executive Budget* captured the essence of the policy implications of these increases:

> Tuition levels at independent institutions in New York State have increased significantly in recent years, from an average of nearly $3,800 for four-year institutions in fall 1980 to over $4,800 in fall 1982, an increase of approximately $1,050, or 28 percent. SUNY's increase in the comparable period was only $150, or 16 percent, to a total of $1,050. This total is comparable to the *increase alone* experienced by the private institutions during the same period. A growing divergence in tuition rates between the independent and public sectors could have a significant impact on student choice. . . .

To emphasize its point, the executive budget noted that SUNY tuition covered only 17.3% of the cost of educating a student compared with an average of 25.5% for ten other public universities in the Northeast.

The executive budget implicitly recognized that the "University of the State of New York under the Regents provides a legal and operational *federation of colleges and universities* [public and private], a structural advantage in higher education unique in the nation." These words of the regents in their 1964 Higher Education Master Plan reflect the intent of the state's education law (specifically Chapter 388 of the Laws of 1961) and have been echoed in each quadrennial master plan approved by governors since then. They constitute the conceptual basis for state aid (such as the Tuition Assistance Program), which is to encourage student choice and access to either public or independent institutions. In a period of fiscal austerity, they bestow a degree of legitimacy on independent institutions in their competition with public colleges and universities for public funds.

Higher education as a whole faces keen competition from other claimants for the tax dollar. The past decade of fiscal stringency has left the state's infrastructure neglected, its urban problems only sporadically addressed, its correctional insitutions burgeoning with inadequately housed inmates, and its social welfare programs a continuing target for cutbacks. Ironically, higher education, generally a bastion of liberalism, finds itself competing for scarce tax dollars with some of the favorite programs of liberals. Further, it must compete with the state's need for investment in economic development in areas outside of higher education and with New York City's seemingly unending need for state funds to relieve its recurring fiscal distress.

Even a cursory review of a few of these competing needs reveals their urgency.

Criminal Justice

The criminal justice system is approaching disarray. Overcrowded prisons (operating at 116% of capacity, with an explosive potential), overloaded judicial dockets, constraints on police staffing, reductions in funds for modern equipment, and federal cutbacks in legal aid for the poor are all warning signs of a system out of balance and fiscally deprived. The system is complex and uncoordinated, with its components under separate jurisdictions and branches of government. But a public increasingly concerned with crime will not indefinitely tolerate fragmentation as an excuse for ineffectiveness. The budgetary process—the one mechanism potentially capable of encouraging policy change and of generating the resources needed by the system's components—can be expected to be called into play.

In 1964, during the Rockefeller administration, the state launched an effort to coordinate the information needs of the various components of the criminal justice system—the New York State Identification and Intelligence System, now part of the state's Division of Criminal Justice Services. Even this limited goal was not realized, but it is significant that Governor Cuomo, in response to public demand, has initiated a broad review of the system as a prelude to inaugurating change. And meaningful change usually requires additional dollars. The percentage of felony convictions has risen over the past half-dozen years while the median minimum prison term has almost doubled, from 18.4 months to 33.9 months, the cost of new prison construction has risen to $100,000 per cell, and the expense of maintaining each inmate now exceeds $16,000 annually.

Health Care

Health care costs have historically risen faster than general inflation. The state government's costs for medicaid alone have increased more than 90% over the past seven years, despite vigorous efforts at cost containment. By law, medicaid, a federally mandated but locally administered program for the "medically needy," requires eight services (including hospital, physician, and nursing care) for people unable to purchase health care for themselves. Medicaid is a major drain on New York City's budget, accounting for more than the entire budgets of 13 states, and county officials complain that medicaid represents the largest and fastest growing cost mandated on their jurisdictions. The continuing strength of the program has special relevance to the welfare poor and to the increasing proportion of the population

over age 70—the most dependent and vulnerable sectors of the population.

A recent version of President Reagan's New Federalism envisions a takeover of medicaid by the federal government. But the gestation period is likely to be a long one, and birth is uncertain. At the state level, Governors Carey and Cuomo regularly proposed phased-in assumptions by the state of local medicaid costs. The latest gubernatorial proposal would have placed a major burden in future years on the state budget, the fiscal resource upon which the state's higher education institutions, including CUNY, are so heavily dependent. The legislature has yet to act on the proposal. It would have greatly assisted New York City in offsetting projected budget deficits and in continuing its recovery from the 1975 fiscal crisis. The legislature has enacted a scaled-down version which has, at least temporarily, satisfied county executives.

Elementary and Secondary Education

State aid to elementary and secondary education is the most scrutinized and contested item, year after year, in the state's budget. The state pays approximately $4.7 billion in aid to its 735 public school districts each year, almost 40% of school district spending. Although in 1982 the New York State Court of Appeals found the state's system of school finance to be in conformity with provisions of the state and federal constitutions, it encouraged the legislature to equalize state school aid formulas to compensate for variations in local property-based wealth and, therefore, in localities' ability to pay for education. The pressures on the legislature from politically powerful education lobbyists are overwhelmingly to "level up" aid to the level of the richer districts, rejecting the "Robin Hood" approach of redistributing aid from the richer to the poorer districts. The added burden on the state budget of leveling up would easily be hundreds of millions of dollars.

Economic Development

As a governmental priority, economic development ranks at or near the top of the list. There is increased attention to utilizing public and private revenue-based bond financing, with minimal recourse to scarce state revenue, to fund water systems improvements, housing construction, public utility capital conversions, and infrastructure projects. Billions of dollars will be involved in a multi-year process.

Public and private institutions of higher education, through engineering schools and high-technology research centers, will play a vital role in what must be a long-term effort. An additional key element is the state's policy of the last half-dozen years of reducing or holding the line on broad-based taxes to enhance New York's competitive position relative to other states to hold and attract business. To the extent that this policy restricts the state government's revenue growth it has the potential of leading to tuition increases at public colleges and universities.

Many factors, not the least of which is the economy, are outside the control of state government. The state can only affect economic trends at the margin. Roy Bahl and Larry Schroeder of the Maxwell School measured the essence of the challenge in the January 1983 issue of *Empire State Report*:

> New York's economic decline is well-documented and, of course, is quite beyond the control of state policymakers. During the Carey years, the state lost 400,000 residents and, while there was some small growth in real per capita income, its relative income level slipped from 13 percent above the national average to 9 percent above. Thus, Carey came to office when New York State accounted for 8.5 percent of the national population and 9.5 percent of national income and is leaving office with the state accounting for 7.7 percent of the national population and 8.4 percent of the income.

Bahl and Shroeder might be correct in their assessment of the difficulty of reversing economic decline, but state policymakers have no choice but to make the effort. Failure to attempt reversal would be self-defeating politically and economically and would resign the state's economy to spiraling decline.

Implications for Higher Education of the State's Economy

The long-term implications of the state's economic condition, its budgetary situation, and its competing social needs argue for a major reassessment of the mission and structure of our higher education system. Responsiveness to the state's problems require rethinking the state's financial aid policies to both public and independent institutions; reordering educational priorities to meet the rapidly emerging demands of a high-technology society without abandoning liberal education; reexamining the organizational arrangements of our two systems of public higher education, including their community colleges; and explicitly clarifying the role of independent institutions within the context of the University of the State of New York. But, if the past is prologue, the contending and conflicting forces unleashed by such a reexamination would demonstrate the limits of reason and the power of politics.

There is wide recognition in the higher education community of the nature of the problems faced by the state and, in my judgement, a willingness to cooperate in their solution. But leadership is fragmented, the issues transcend education alone, vested interests will not be abandoned in the absence of concerted outside pressure, and there is no consensus (or even acceptance, in some quarters) on what the nature of the University of the State of New York is or should be.

- Most higher education administrators would probably agree that, from an educational viewpoint, New York State has too many institutions of higher education and that fewer institutions would increase overall quality without limiting access to potential students. From an economic standpoint, however, many institutions are the lifeblood of the communities in which they are located. Administrators of the public systems, in particular, would not be allowed to be free agents in decisions to close campuses, closings that would adversely affect the economic life of the communities in which these campuses are located.
- One of the minor miracles of higher education financing in New York State is that, given the state's pluralistic nature, the financing process is as rational as it is. Nevertheless, there are fundamental issues to be addressed. The Tuition Assistance Program, despite its original intent to encourage free choice of colleges by students, has been skewed incre-

mentally over the years toward the public institutions. The current Bundy aid formulas, originally intended to be interim formulas only, have not been reassessed for their social relevance—modified, for example, to enhance development of high-technology academic programs. Tuition levels at SUNY and CUNY have been adjusted periodically on an ad hoc basis, although the governor's *1983-84 Executive Budget* recommendations have called for continuing, virtually automatic adjustments in the future to reflect increasing education costs.

The fiscal fact of life is that the state's limited resources cannot (and should not) avoid being directed toward populations that cannot be denied state financial support without socially disastrous consequences. Affluent segments of the student population in public as well as independent institutions should not be unduly subsidized by less affluent taxpayers.

• The Board of Regents' quadrennial higher education master planning process has been strengthened within the past year by permitting the governor to join the regents in identifying the issues to be addressed by institutions of higher education in their 1984 master plan submissions. Conceptually, the process of institutional submission of plans to the Board of Regents, recommendations by the regents to the governor, and his approval of recommendations is a sound one. In practice, however, over the past two decades it has too often been the victim of collegiality, avoiding the hard recommendations in its search for consensus. This was understandable and tolerable during periods of budgetary abundance, but the 1980s will call for stronger, and more controversial, leadership by the Board of Regents, as the governing body of the University of the State of New York, or leadership will slip to powers outside of education, with unpredictable and perhaps less rational results.

• Organizational restructuring of the state's two public systems—SUNY and CUNY, both of which are reasonably well managed, although perhaps overextended as constituted today—was examined by a state commission about six years ago. Its recommendations, which would have diluted the authority of the central administrations of both systems, met with almost universal rejection. Combining SUNY and CUNY into one monolithic system was rejected by the commission. The three-tiered California model, with universities, colleges, and community colleges in separate organizational layers, was also rejected. No coherent alternative was proposed. Now that both SUNY and CUNY receive full tax-levy funding from the state—and both are confronted by the adverse prospects of continuing fiscal austerity—a new commission on restructuring would be desirable, one that would also address the place of independent institutions within the state's higher education framework.

Higher education does not exist in isolation from other governmental concerns. Although it faces a decade or more of acute internal adjustments, its problems should be assessed and resolved within the larger context of societal needs. Because of its political power, higher education will be tempted to stand pat, confident that it will be a winner in the zero-sum budget game. Its legislative allies, their eyes fixed on the next election, would willingly rationalize additional funds for higher education and relatively fewer dollars for competing social programs with less political clout. However, standing pat would be a tactical error. Urgent social needs cannot be neglected indefinitely. The pendulum will eventually swing away from higher education.

If higher education is to avoid the unwelcome effects of losing in the zero-sum game, it must plan now for the eventuality of further limits in public financing. Complex issues—including the balance between the public and independent sectors, tuition policy, financial aid to students, restructuring of the public systems, and maintenance of academic quality and student access—must be addressed and resolved. Statesmanship among educators and political leaders will be required but, in its history, New York has successfully met equally formidable challenges. The time to begin is now.

Paul T. Veillette, Chief Budget Examiner in New York State's Division of the Budget, was responsible for developing the state's higher education budgets for 12 years. He has taught graduate courses in governmental budgeting at Syracuse University and the State University of New York at Albany. Previously, Mr. Veillette served as Director of Management Analysis for the Connecticut Division of the Budget and for the Chicago Police Department.

The opinions expressed in this article are the author's and not those of the New York State Division of the Budget.

In a Forthcoming Issue

Deinstitutionalization in Mental Health Care

Contributors

Sara Kellerman, M.D.
Commissioner, New York City Department of Mental Health, Mental Retardation, and Alcoholism Services

Carol Bellamy
President, New York City Council

Jackie Frank
Rockland Research Center, New York State Office of Mental Health

Fred Mehlman
Assistant Attorney General, New York State

Kim Hopper
Community Service Society

Marty Starr
Health Services Administration, Graduate School of Management and Urban Professions, New School for Social Research

Guest Editor

W. Robert Curtis
Editor, *New England Journal of Human Services;* Associate Professor, Health Services Administration, Graduate School of Management and Urban Professions, New School for Social Research

Federal Higher Education Policies in the 1980s and Their Implications for New York State

By Mark A. Emmert and John C. Honey

Making forecasts regarding federal policies in the area of higher education is a difficult task, but it is necessary if state and local officials are to be proactive, rather than reactive, in the 1980s. The federal role in higher education has come to be a critical element in the viability of colleges and universities as well as central to larger societal goals. Thus reasonable predictions about the course of federal policies are preludes to careful planning in higher education.

Policy forecasting is obviously more reliable if done systematically. To this end, we look first at trends in federal higher education policies over the past two decades in order to determine whether the Reagan administration represents a real break with the past or a temporary aberration. Next, we examine the dynamics of the current political and economic environment to project the most likely course of changes in federal policies. Finally, we address the relationship between current and future federal policies and higher education in New York State.

The Age of Equity: 1960 to 1980

For most of the two decades prior to the election of President Reagan, the national consensus had been that social policy in general, and education policy in particular, should actively promote social equity. In response, the federal government assumed a major role in higher education in the 1960s and 1970s. The Higher Education Act of 1965 marked the first time that Congress systematically considered the federal responsibility in higher education. Having earlier recognized the need to support fundamental research and the education of scientists and engineers, the federal government added the responsibility of substantially reducing the social and economic barriers to postsecondary education. In shouldering this social responsibility, the federal government initiated a variety of policies and programs.

Student Financial Assistance

The largest share of federal expenditures for higher education goes to student financial assistance programs, which provide grants, loans, and jobs to eligible students. Created by the Higher Education Act of 1965 and expanded by amendments in 1972, 1976, and 1980, these programs have seen their budgets grow from $320 million in fiscal 1965 to just over $6.5 billion for fiscal 1983. These years of steady budget growth reflect continued federal support of the egalitarian consensus and have significantly lowered economic barriers to postsecondary education. The major programs include:

- The Pell Grant (formerly Basic Educational Opportunity Grant) program is the basic form of direct student aid upon which other assistance programs are built. It provides grants of $200 to $1,670 per year to students who can demonstrate financial need. (The maximum award was recently lowered from $1,800.)
- Supplemental Educational Opportunity Grants (SEOG), National Direct Student Loans (NDSL), and College Work-Study (CWS) programs constitute the institution-based programs. All three require that students demonstrate financial need. However, whereas the U.S. Department of Education determines the exact amount a student will receive in the Pell Grant program, the individual schools are allowed some flexibility in determining the amounts of grants, loans, and job wages awarded students from these sources. Generally, campus administrators "package" the awards and gauge the needs of students within specific federal guidelines.
- The Guaranteed Student Loan (GSL) program is the largest (and most often maligned) student assistance program. The programs for fiscal 1982 cost about $3.1 billion, nearly one-half of the total student aid budget.
- The State Student Incentive Grant (SSIG) program provides federal grants through a state-matching program. SSIG assistance is largely on the same basis as the institution-based programs noted above with administrative responsibility shared by state agencies.
- Special programs offer assistance designed to identify, encourage, and prepare economically and academically disadvantaged students for higher education and, thereby, to promote increased access and choice. This assistance has been provided through such programs as Talent Search, Upward Bound, Special Services for Disadvantaged Students, and Educational Opportunity Centers.

Support for Research and Development

Another major component of federal higher education policy has been the support of basic research and development. Funding for basic research projects involving individual faculty members, university-based institutes and research centers, and specialized facilities has enhanced the academic reputations and improved the graduate and undergraduate teaching in the colleges and universities that have received this type of assistance. From the end of World War II through the early 1970s, these types of research activities grew to include programs cosponsored by most federal government departments and many federal agencies. Since the late 1970s, however, there has been a marked decline in federal support for basic research.

Other Types of Federal Assistance

The federal commitment to higher education beyond assistance to students and for faculty and institutional research has been somewhat more equivocal. The Higher Education Act of 1965 and its subsequent amendments provide for a variety of other activities intended to support postsecondary education in a number of specific areas, while separate legislation has responded to unique problems. Rather than reflecting a general social policy, the programs together have taken on the characteristics of a somewhat ill-fitting pastiche. Again, a brief review is informative.

Certain types of assistance encourage public institutions to strengthen their community service programs, expand con-

tinuing education offerings, and develop programs for the sharing and exchange of resource materials. The act as amended also provides direct financial assistance to major research libraries, assists institutions in acquiring library resources, and encourages training in library science and research. Further, the act provides direct financial assistance to developing institutions to help them strengthen their academic quality.

A number of other programs within the purview of the Department of Education fall outside the scope of the 1965 act. These include support for graduate study, the Fund for the Improvement of Postsecondary Education, the National Institute of Education, the National Center for Education Statistics, construction loan subsidies, and vocational education and similarly focused programs.

These disparate programs, which do not directly assist students or support research, have historically received comparatively meager funding. Most recently, the fiscal 1982 budget of the U.S. Department of Education provided over $6.5 billion in student assistance compared with well under $400 million for all institutional assistance, library resources, special programs for the disadvantaged, graduate study support, and law school programs. Of particular note is the federal government's disinclination to provide substantial support for graduate education, even within the direct assistance programs.

The past two decades have been marked by growth not only in direct federal support for higher education but also in the utilization of colleges and universities by federal departments and agencies other than the Department of Education. Nearly all federal agencies—the National Endowments for the Arts and for the Humanities, the National Aeronautics and Space Administration, the Institute of Museum Service, the International Communication Agency, to name a few—are involved in the administration of over 400 grant and contract programs involving postsecondary education.

Whereas the programs administered through the Department of Education serve the explicit purpose of supporting and promoting higher education, these other contract and grant programs are intended primarily to further the mission of the sponsoring federal agency or department. Any benefits that accrue to higher education are, in large part, a side effect. Although the total impact of these myriad programs is difficult to assess, they are clearly of great importance to higher education because of the research and training opportunities they provide.

Social Programs

A final trend to be noted in the consideration of federal higher education policies has been the inclusion of colleges and universities in programs reflecting broad societal objectives. Most notably, this has involved the extension of federally mandated social programs into academe. Over a dozen such programs currently affect higher education institutions, for example, programs covering equal employment opportunity, affirmative action, wage and hour standards, occupational health and safety, physical access for the handicapped, age and sex discrimination, and privacy of records.

Few of these mandated social programs were specifically aimed at higher education when they were initiated. Nonetheless, they share with the student assistance programs the concern of the egalitarian consensus for social equity and, thereby, have come to involve colleges and universities.

Reflecting upon the period between 1960 and 1980, we can see a gradually increasing federal commitment to higher education, led by the egalitarian consensus of the society, and continued, although somewhat reduced, support for basic research and science and engineering education. That this commitment has occasionally been piecemeal is reflected in the proliferation of relatively small and uncoordinated programs. Nonetheless, the trend is clear. The federal government has been consistently perceived as the entity with sufficient authority and resources to realize the values of the egalitarian consensus.

Is the Past a Prelude to the Future?

Many observers see the national election of 1980 as a major watershed for social and political values. For example, Chester Finn Jr., a noted student of education policy, has argued that the egalitarian consensus was "riding for a fall" and that the 1980 election "was not in fact an aberration, a temporary deviation from a path to which we will soon return," but that it did indeed reflect the beginning of "something akin to a social revolution." Many others have echoed this perspective.

In contrast, it has frequently been argued that the election of Ronald Reagan does, in fact, represent more of a political anomaly than a "mandate" and that the egalitarian consensus will reassert itself at the next opportunity. Opinion polls and voting data suggest that the 1980 election may have been more a reaction to former President Carter than support for a social revolution. Moreover, the 1982 congressional election lends support to a more modest interpretation of the Reagan "mandate."

The Reagan administration has proposed a number of major revisions in higher education policies that, if implemented, would dramatically alter the federal role in higher education and would herald a major policy defeat for the egalitarian consensus. Whether this administration represents an aberration or a change of course in national social policy can, to some extent, be assessed by examining its midterm record on higher education issues.

In its first two years, the Reagan administration has initiated several proposals regarding student financial assistance, including major reductions in funding for Guaranteed Student Loans, Pell Grants, and National Direct Student Loans. Further, the administration has proposed the outright elimination of the Supplemental Educational Opportunity Program and the State Student Incentive Program.

These efforts met stiff opposition in the 97th Congress.

Changes in Guaranteed Student Loan regulations are expected to reduce the volume of loans by 22% from fiscal 1981 to fiscal 1982. Further changes in regulations governing Pell Grants and National Direct Student Loans should reduce expenditures by discouraging fraud and loan defaults. However, Pell Grant funding, earmarked for a 40% cut, is relatively unchanged from 1980 levels. The State Student Incentive Grant and Supplemental Educational Opportunity Grant programs have had their budgets cut by about 4%, as opposed to being eliminated as proposed by the administration. Overall, student financial assistance programs that totaled $4.8 billion in fiscal 1980 have risen to $6.5 billion for fiscal 1983.

Many other administration proposals have suffered similar fates in Congress. Contrary to Reagan's campaign promise, the Department of Education still stands. The majority of small, special-purpose grant programs slated for elimination are being continued, albeit with reduced funding. Much more moderate cuts than the administration sought have been made in funding for science education, indirect costs for grant administration, and the National Endowments for the Arts and for the Humanities.

The administration has been more successful in phasing out student social security benefits, cutting education research funding, and establishing a less confrontative policy for enforcing sex discrimation and desegregation regulations. Furthermore, the administration has succeeded to some degree in reducing and reassigning research and development funds. Funding has been shifted from social science research, demonstration projects, and systems development in favor of the physical sciences, engineering, and military research and development.

In light of its spotty record thus far, if the Reagan administration is evidence of a nascent social revolution, it will be a revolution born of modest beginnings. A more probable explanation is that the egalitarian consensus, far from being dead, was able to garner sufficient support in the last Congress to resist most of the Reagan proposals. The administration has, nonetheless, rattled academe.

A major unintended consequence of the Reagan policies has been the development of a "fight-for-life" syndrome within the higher education community. The present climate has encouraged highly politicized, reactive responses, not rigorous policy analysis. A need clearly exists for thoughtful appraisal and assessment of the effectiveness of current federal higher education policies and programs. Issues of quality, continued access and expanded choice, business-academic relationships, guidance at the high school level, and the erosion of the academic talent base need to be addressed. These and many other key issues are currently relegated to the back burner under the pressure of the frontal assault in Washington.

Initiating a change from the fight-for-life syndrome to a more studied response to government policy making regarding higher education may well depend on the political and economic dynamics of the present and the immediate future. The 98th Congress appears reluctant to make further cuts in funding for higher education programs. There is a growing political resistance to Reaganomics and increased military expenditures. Even leading Republicans have expressed concern over making deeper cuts in social programs. Yet, budget deficit estimates that hover near $200 billion are worrying Democrats and Republicans alike.

These signs suggest that in the very near future we are likely to see cuts in defense spending, modest tax increases, and minimal reductions in social programs—the president's objections notwithstanding. The higher education community should, therefore, expect federal funding levels to remain fairly constant for the near future, although given the administration's overall disposition, the attack on higher education budgets will probably continue. The fight-for-life syndrome will, no doubt, continue to pervade academe, and thoughtful analysis will continue to be deferred.

The Future: 1984–90

Forecasting federal higher education policies requires one to consider political and economic prognoses, which are themselves risky. Nonetheless, since such speculations underlie any policy forecast, we must accept the risk.

First, it is clear that demographic factors through 1990—most notably projected declines in enrollment—will strain higher education. This familiar theme requires no elaboration here but must be acknowledged as a major variable in assessing future policy.

Though more speculative than forecasting demographic trends, economic indicators and projections suggest three significant challenges. First, it appears that we will continue to see huge federal budget deficits for the near future and, perhaps, throughout the rest of the 1980s. Second, despite some recent positive signs, the national economy is likely to remain sluggish and, when combined with the growing shift from "smoke-stack" industries, may result in the permanent displacement of more workers. Those who once could be considered as temporarily unemployed may join the chronically unemployed. As a result, high unemployment rates may well be with us for some time. Third, it appears that inflation rates will stay in the 5%-6% range unless a vigorous recovery develops. Even the administration has become less ebullient regarding the likelihood of a booming economy in the near term.

What do these trends imply for federal higher education policies? Concern over deficits is likely to bring increased congressional pressure to raise taxes and reduce spending. If, as we have suggested, the egalitarian consensus is still viable at the midpoint of Reagan's first term, we should anticipate strong resistance to budget cuts that would adversely affect access to higher education. Funding levels for direct assistance programs will probably remain constant with, at best, 5% annual increases to counter inflation. Direct student financial aid programs may undergo some well-needed modifications and adjustments, but they are likely to remain the bulwark of federal postsecondary education policies.

Specialized grant and contract programs face a less secure future. Lacking the large constituency that supports direct student aid, many of these programs may be substantially reduced and others eliminated. It also seems unlikely that any new higher education programs will be initiated during the 1980s. Even the popular tuition tax credit proposals should fade under the harsh light of a $200 billion deficit. Some expectations, however, might include the development of federal programs to promote the retraining of the chronically unemployed by postsecondary institutions, par-

ticularly technical and community colleges. Other work force issues—science and engineering education, for example—might garner sufficient attention to encourage the launching of modest support programs. Also, an emphasis on educational quality is emerging, an emphasis that may result in new programs or a refocusing of current ones.

Increased taxes, if effected, are likely to be greater for upper-income brackets and the business sector. This development might reduce, in varying degrees, philanthropic support to colleges and universities, particularly in the unlikely event of a flat-rate tax structure. However, the extent of any such erosion as a result of changes in tax laws is quite speculative. It is, nonetheless, an issue that must be confronted during the 1980s when higher education expects private supporters to provide an increased share of the overall resources available to colleges and universities.

In sum, changes in federal higher education policies over the next decade will be gradual and evolutionary. The achievement of increased access to higher education is the high point of the egalitarian consensus. It is unlikely that a retreat by the federal government to a more limited, more stratified system would be well received by the public.

Federal Higher Education Policies in the 1980s: Implications for New York State

The forecasts for federal policies imply both burdens and opportunities for New York State. The recent reductions in direct student financial assistance, while much milder than those sought by the Reagan administration, will disproportionately affect the state. Cuts and changes in Pell Grant and Supplemental Grant programs are visited most heavily on the lowest-income students at the most expensive schools. New York has more than its share of this mixture. Moreover, if future funding levels fail to keep up with the rising cost of attending college, this trend will continue to adversely affect these students.

In 1979-80, New York State provided 36% of government grants to its college students in the state. This proportion is by far the largest contributed by any state. However, it is unclear whether, even with a supportive administration in Albany, the state can add to its contribution in the face of its own budgetary problems. High-cost institutions will be faced with difficult decisions if they are to continue the active financial support of the neediest students. Directing reduced financial aid resources to those with the greatest need will obviously limit what can be offered to other students.

Along with the current disinclination of Congress to support tuition tax credits, special support for the state's private institutions seems unlikely. New York's ability and willingness to increase either student aid or direct aid to private institutions (the Bundy program) are limited. Should private philanthropy's support decrease as a result of tax increases, private colleges and universities in the state may face financial difficulties beyond those precipitated by demographic changes and reduced student financial aid.

More optimistically, many special programs support, directly or indirectly, high-quality institutions. The emerging emphasis on improving educational quality may result in increased resources for the most selective institutions. New York enjoys the presence of many very fine institutions, public and private, large and small. Any programs that increase resources to foster excellence may disproportionately benefit these colleges and universities. Furthermore, as competition for federal research funds becomes more intense, selection processes may favor the finest research institutions.

Federally funded research, however, brings with it the indirect costs of cosponsorship by the institution. In a time of scarce resources, accepting cosponsored research funds may result in the diversion of institutional money from instructional activities, an unattractive side effect. Universities with large research components will have to consider all the costs as well as the benefits of cosponsoring federally funded research.

Finally, opportunities for program development may occur if new federal policies include programs for employment retraining to address emerging work force needs. It is obviously in the state's interest to retain existing business and industry and to stimulate new economic activity. The capacity to meet employment needs is a prerequisite to retaining and attracting business and industry. A skilled work force is one of the state's prime resources. Should federal programs be initiated that promote the responsiveness of postsecondary education to the employment needs of private industry, the state may be in a good position to build upon a generally sound foundation through its technical and community colleges as well as the more traditional four-year institutions. New and creative relationships between higher education and the private sector might prove mutually beneficial and of particular benefit to the state as a whole.

Partnerships among industry, universities, and government that advance cooperative research and development projects could be promoted as a means of sharing the high costs of such ventures. Federal tax policy, appropriate regulations, and patent laws may stimulate such efforts. Cooperative arrangements could help universities overcome the problems of high-cost instrumentation, diminished ability to attract the finest students to graduate study, and the need to divert institutional funds from nonresearch areas to meet indirect costs. Conversely, such arrangements may well threaten the independence of basic research on the campus. A large measure of caution must accompany the exploration of such ventures.

The influence of future federal policies on postsecondary education in New York will be a mixture of burden and opportunity. Policy changes are likely to be gradual with neither major programmatic restructuring nor the introduction of large, new projects. To capitalize on the emerging opportunities and to overcome the potential burdens, higher education officials will have to exercise thoughtfulness and imagination—and this will require their breaking out of the fight-for-life syndrome. The frontal assault on federal higher education policies must be replaced by considered appraisal and cooperation.

Mark A. Emmert is Assistant Professor of Political Science at Northern Illinois University. His previous experience in higher education includes serving as a director of student financial aid. John C. Honey is Professor of Political Science and Higher Education at the Maxwell School of Citizenship and Public Affairs, Syracuse University. Formerly, he was Vice President for Governmental Affairs and Research at Syracuse.

The authors wish to acknowledge the contributions of Gregory B. Lewis and Corrine Hunter in the preparation of this article.

Response — Managing Uncertainty: The Case of New York City's 1983-84 Budget

By Alair A. Townsend

In his *City Almanac* article—"New York City's Fiscal Situation: Recurring Crisis or Long-Term Stability?" [Volume 17, Number 2, August 1983]—Jack Bigel provides solid documentation for the case that the city will not return to a situation like the one in 1975 and, indeed, that New York has entered an era of relative fiscal stability. He credits the city's management of its finances with much of the success, a view borne out by a closer look at the steps the city took to solve the budget problems of fiscal 1983 and 1984 without drastic service reductions or major new taxes. This closer look reveals the magnitude and sources of the 1983-84 budget difficulties and highlights the factors that were critical to a successful outcome, in particular:

- The mayor's commitment to act when necessary to reduce spending and the ability of agency managers to implement the difficult decisions affecting them. Reductions in agency spending stand out as the largest single contribution to solving the 1983-84 budget problems.
- The resiliency of the local economy and the recovery from the nationwide recession that began—after months of deterioration—early in calendar 1983.
- After the threat of a $302 million shortfall, the delivery of state aid, although at far lower levels for 1984 than originally anticipated in June 1982.
- Certain one-time revenue opportunities that included the Federal Jobs Bill ($58 million), accelerated reimbursement by the state of the payments in lieu of the phased-out stock transfer tax as a result of the large volume of stock market activity ($52 million), and payment for the Westway right-of-way ($125 million).

A key element of our strategy was the implementation of actions in fiscal 1983 that would enable us to manage budget problems in 1984. The amassing of a 1983 surplus, if possible, was essential to that strategy. Without this surplus, the fiscal 1984 budget would have had to include most of the service cuts and tax increases we had feared.

Sources of the Problems

The story begins in June 1982 when the City Council and Board of Estimate adopted a balanced budget for fiscal 1983, which began July 1, 1982. The implication of that budget for 1984 was a relatively modest budget gap of $406 million, for which a gap-closing program was prepared.

In the fall, the city settled with its municipal unions on a two-year contract, which added $1 billion to spending requirements above amounts budgeted over the two years. Further, in late September and early October it became evident that the nationwide recession would be deeper and last longer than most forecasters had projected, and we were beginning to see a weaker performance in the local economy than expected. The situation worsened in November and December, and during these months a large falloff in financial corporation tax receipts became evident.

There is, of course, as Mr. Bigel points out, a lag in the

TABLE 1: RESIDENT EMPLOYMENT AND RETAIL SALES IN NEW YORK CITY SINCE JANUARY 1982, seasonally adjusted

	Resident Employment			Retail Sales		
Month	Number (In thousands)	Percent Change Year over Year	Percent Change Month over Month	Amount (In millions)	Percent Change Year over Year	Percent Change Month over Month
January 1982	2,779	−0.4%	−0.1%	$1,973	−4.2%	−2.2%
February	2,774	−0.1	−1.2	1,994	0.6	1.1
March	2,801	1.4	2.0	1,977	−4.8	−0.9
April	2,754	−1.3	−1.7	2,015	−4.8	1.9
May	2,832	1.0	2.8	2,043	−2.9	1.4
June	2,768	−1.7	−2.3	2,062	−5.0	0.9
July	2,777	−0.8	0.3	2,183	4.3	5.9
August	2,744	−1.6	−1.2	2,097	6.7	−3.9
September	2,813	−0.2	2.5	2,143	5.1	2.2
October	2,784	−0.9	−1.0	2,106	1.0	−1.7
November	2,745	−2.4	−1.4	2,111	1.4	0.2
December	2,717	−2.3	−1.0	2,136	5.9	1.2
January 1983	2,716	−2.3	0.0	2,171	10.0	1.6
February	2,650	−3.5	−2.4	2,119	6.3	−2.4
March	2,715	−3.1	2.5	2,188	10.7	3.3
April	2,659	−3.4	−2.1	2,204	9.4	0.7
May	2,621	−7.5	−1.4	2,206	8.0	0.1
June	2,712	−2.0	3.5	2,137*	3.6	−3.1
July	2,695	−3.0	−0.6	—	—	—
August	2,787	1.6	3.4	—	—	—

*Preliminary figure.

receipt of data on local economic activity. Moreover, there was considerable monthly fluctuation last year in the local economy, making it difficult to evaluate the significance of each month's outcome, particularly if different from the trend of the prior several months. Nonetheless, the downward direction is apparent in Table 1, which shows trends in two key indicators—resident employment and retail sales (which rose only 0.3% during calendar 1982 as opposed to 4.8% in 1981 and 16.8% in 1980).

By January, the city had reduced its tax estimates for fiscal 1983 by $166 million and lowered its estimate of interest income by $45 million. This was an unfortunate byproduct of what is generally considered a positive sign—the rapid decline in interest rates that started in late August. The corresponding reductions for fiscal 1984 were $110 million in tax revenues and $68 million in interest income.

In fact, the local recovery began early in calendar 1983 and has been much stronger than anticipated. The general corporation tax began to show strength, and in the spring the city raised its estimates for this tax and for several others, including the commercial rent and property taxes. By the end of the year, these increases had offset losses in financial corporation and other taxes and brought the overall fiscal 1983 tax revenues back to about the level originally projected in June 1982. Exclusive of the accelerated state payments related to the elimination of the stock transfer tax, the difference between actual fiscal 1983 tax collections and our original estimates in June 1982 is less than 0.1%. The variance from our estimates in the January Financial Plan is about 2.0%—in both cases a very small variance considering the volatile economic situation last year.

The deteriorating economy also affected the city's spending requirements. By the first half of fiscal 1983, it had become clear that recession-related expenditures for medicaid and shelters for the homeless were growing faster than budgeted. Despite the imposition of agency cuts and stringent hiring restraint, needs in other areas, such as special education and the Correction Department, continually emerged throughout fiscal 1983, and most had implications for 1984 as well. By the end of fiscal 1983, new needs totalling $163 million had been accomodated, and the 1984 Adopted Budget includes $290 million. Meeting these new needs, which dwarfed the improvements in tax revenue projections from their lowest level during fiscal 1983, was a major factor in our on-going budget planning.

Finally in December, because of the state's fiscal difficulties, the Financial Control Board required the city to remove from its four-year financial plan $300 million in aid anticipated for fiscal 1983 and 1984. By January, as we prepared a new four-year financial plan, the gross two-year budget problem to be solved was more than $2.2 billion, $1.5 billion for fiscal 1984 alone (see Table 2). Although some components of the problem changed between January 1983 and the present, more optimistic, outlook, the total size of the problem varied very little. The specific problems were not created by conservative tax revenue estimates, as suggested by Mr. Bigel, and did not simply go away by themselves.

Solutions to the Problems

To solve these problems, the city needed a two-year strategy. It needed to reduce spending immediately to help eliminate the fiscal 1983 budget gap, to reduce fiscal 1984 baseline expenditures, and to contribute, if possible, to a 1983 surplus that also would help to eliminate the much larger 1984 gap.

While, inevitably in a $16 billion budget, there were changes in the estimates of expenses and tax revenues, the most significant improvements were not fortuitous but the result of aggressive management of the city budget. Thanks to the leadership of the governor and legislature, the state provided budget-balancing aid to the city for fiscal 1983 and 1984. From the 1983 Adopted Budget to the final outcome for 1983 there were virtually no changes in state aid. For 1984, state aid fell short of initial expectations—a result primarily of base cuts in state aid and lower than anticipated education aid. In total, over the two years, the state pro-

TABLE 2: NEW YORK CITY'S BUDGET: PROBLEMS AND SOLUTIONS, Fiscal 1983 and Fiscal 1984 ($ in millions)

	January 1983 Plan		Present Outlook	
Category	**1983**	**1984**	**1983**	**1984**
PROBLEMS—TOTAL	**($678)**	**($1,542)**	**($435)**	**($1,658)**
Existing gap to be closed	—	(406)	—	(406)
Labor settlement	(249)	(757)	(249)	(757)
Tax revenues	(166)	(110)	64	38
Interest income	(45)	(68)	(45)	(73)
New needs	(103)	(152)	(163)	(290)
Adoption add-ons (including mayoral)	—	—	—	(81)
State aid losses	(122)	(49)	(2)	—
All other	7	—	(40)	—
SOLUTIONS—TOTAL	**$678**	**$1,542**	**$435**	**$1,697**
Expenditures—Total	**434**	**910**	**515**	**792**
Agency PEGs (pre-1984 adoption)	150	488	146	333
General reserve	131	25	146	35
Pension reestimates	124	144	142	144
Work rule changes	—	50	—	50
Debt service	9	183	—	189
All other	20	20	81	41
Revenues—Total	**244**	**632**	**(80)**	**905**
Westway right-of-way sale	103	22	96	29
State aid	—	120	9	195
Miscellaneous	38	37	90	86
Federal Jobs Bill	—	—	—	58
Other revenue	55	25	88	24
Tax and revenue program	18	353	18	77
Tax enforcement	—	75	—	25
Fiscal 1982 surplus	30	—	30	—
Fiscal 1983 surplus	—	—	(411)	411

City Almanac
J. M. Kaplan Center for New York City Affairs
New School for Social Research
66 Fifth Avenue
New York, NY 10011

Second Class Postage
Paid at New York NY

Response — Managing Uncertainty — Continued from page 27

vided $184 million of the $300 million in anticipated aid that we had removed from our financial plan in December. This aid, consisting primarily of a continuation of a statewide reduction in local medicaid costs and incremental education funding, was the city's fair share of increased state assistance for all localities based on their share of costs.

Another significant factor, a product of a joint effort by the Koch administration and the city's municipal labor leaders, involved changes in state law consistent with sound actuarial practice. These changes permitted the city to update its method for calculating pension costs and thereby to save $170 million for 1983-84. Other reestimates of pension requirements resulted in savings of $116 million. The city also saved $189 million over the two years in debt service, in part from Municipal Assistance Corporation refinancings, and achieved a more reasonable schedule of debt retirement. The city also shored up its revenue base by $95 million over the two years through passage of several new measures, including accelerated payment of corporation taxes and higher water charges, in addition to raising the average real estate tax levy from $9.12 in 1983 to $9.21 in 1984.

One of the more interesting questions is whether, in light of the large fiscal 1983 surplus, the 1983 agency spending reduction program was really necessary. Table 2 makes clear that the city could have managed fiscal 1983 without the cuts but that, without their contribution to a "rollable" 1983 surplus and to a lower fiscal 1984 baseline expenditure level, the 1984 budget would certainly have required large program cuts and probably significant tax increases as well. The 1983 agency spending reduction program, exclusive of energy savings, new needs, and minor underspending, yielded savings of $146 million. These savings grew to $333 million in 1984 (reduced to $291 million after budget adoption). Thus, the gross two-year savings total nearly $500 million—about the amount of the rollable 1983 surplus.

The most important factor in closing the budget gaps was this control of city expenses. A hiring freeze was implemented, most planned service enhancements were deferred, administrative staffs were reduced, and agency budgets were combed for additional savings. Although there was disappointment over delays in service enhancements and other cuts the city had to make, the negative effect on the base level of services was contained. This is because the cuts were carefully designed and relied heavily on management and productivity improvements and delays of planned service improvements and were done with programmatic sensitivity. After the adoption of the fiscal 1984 budget, the two-year agency savings of $437 million consist of management and productivity improvements, $159 million; program reductions, $111 million; and other reductions, $167 million.

Conclusion

Many people cooperated in solving the city's budget problems: local and state elected officials, the Municipal Assistance Corporation (MAC), and the commissioners, managers, and work force of city agencies. Together, they shored up the city's revenue base and reduced spending in lower priority areas so that essential services could be protected and even improved—while maintaining balanced budgets through a period of great uncertainty. These actions have produced more than balanced budgets for fiscal 1983 and 1984. I believe, and so apparently do others including the Citizens Budget Commission and MAC, that the city has strengthened its foundation for fiscal stability.

There will always be temporary problems to overcome, for we cannot control the economy or the actions of the federal and state governments. These uncertainties beset all local governments. But the City of New York has clearly demonstrated the will and the institutional processes to overcome them. Perhaps this is what "recurring budget balance" has come to mean—that there may be gaps and risks, but that we can overcome them and continue to improve services and minimize taxes through careful planning, spending control, and improved productivity, not with painful service reductions and tax increases.

Alair A. Townsend is Director, Office of Management and Budget, City of New York.